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" Standing Committee on, 1950

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HOUSE OF COMMONS

STANDING COMMITTEE

ON

# RAILWAYS, CANALS AND TELEGRAPH LINES,

MINUTES OF PROCEEDINGS AND EVIDENCE *to reports*

No. 2

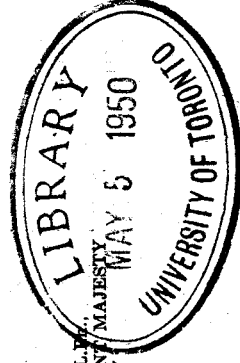
BILL NO. 7—AN ACT TO INCORPORATE  
ALBERTA NATURAL GAS COMPANY

WEDNESDAY, APRIL 26, 1950.

WITNESSES:

Mr. John J. Connolly, K.C., Parliamentary Agent, on behalf of Alberta  
Natural Gas Company;

Mr. A. F. Dixon, President, Alberta Natural Gas Company.



OTTAWA

EDMOND CLOUTIER, C.M.G., B.A., LL.B.,  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
CONTROLLER OF STATIONERY  
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## MINUTES OF PROCEEDINGS

WEDNESDAY, April 26, 1950

The Standing Committee on Railways, Canals and Telegraph Lines met at 11 o'clock. The Chairman, Mr. Breithaupt, presided.

*Members present:* Messrs. Adamson, Applewhaite, Bonnier, Breithaupt, Byrne, Cannon, Carroll, Carter, Darroch, Decore, Dewar, Ferguson, Gauthier (*Portneuf*), Goode, Gourd (*Chapleau*), Green, Harkness, Harrison, Herridge, Higgins, Hodgson, James, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Noseworthy, Pearkes, Pouliot, Riley, Rooney, Smith (*Calgary West*), Stuart (*Charlotte*), Thomson, Ward, Whiteside, Wylie.

*In attendance:* Mr. John J. Connolly, K.C., Parliamentary Agent for the Petitioners, and Mr. A. F. Dixon, President, Alberta Natural Gas Company.

The Committee considered Bill No. 7, An Act to incorporate Alberta Natural Gas Company.

Mr. John J. Connolly, K.C., appeared on behalf of the petitioners. He read a submission to the Committee upon which he was questioned at length.

At 1.00 o'clock p.m., on motion of Mr. Maybank, the Committee adjourned to sit again at 4.00 p.m.

### AFTERNOON SITTING

The Committee resumed at 4.00 p.m. The Chairman, Mr. Breithaupt, presided.

*Members present:* Messrs. Adamson, Applewhaite, Bonnier, Bourget, Breithaupt, Byrne, Carroll, Carter, Darroch, Decore, Dewar, Ferguson, Garland, Gauthier (*Portneuf*), Goode, Gourd (*Chapleau*), Green, Harkness, Harrison, Herridge, Higgins, Hodgson, James, Jones, Jutras, Lafontaine, Lennard, Maybank, McCulloch, McGregor, McIvor, Mott, Murray (*Cariboo*), Nixon, Noseworthy, Pearkes, Prudham, Richard (*St. Maurice-Lafleche*), Riley, Robinson, Rooney, Smith (*Calgary West*), Stuart (*Charlotte*), Thomson, Ward, Whiteside, Wylie.

*In attendance:* The same as indicated for the morning session.

The Committee resumed the adjourned study of Bill No. 7, An Act to incorporate Alberta Natural Gas Company.

Mr. John J. Connolly, K.C., was recalled. A short while after the witness was on the stand Mr. Murray (*Cariboo*) moved:

That Mr. Connolly's examination be suspended and that Mr. A. F. Dixon be called immediately.

After some discussion and the question having been put on the said motion of Mr. Murray, it was resolved in the affirmative on the following recorded vote:



*Yeas:* Applewhaite, Bonnier, Byrne, Carroll, Carter, Darroch, Decore, Dewar, Garland, Gauthier, (*Portneuf*), Gourd, (*Chapleau*), Harrison, James, Jutras, Lafontaine, McCulloch, McIvor, Mott, Murray (*Cariboo*), Nixon, Prudham, Richard (*St. Maurice-Lafleche*), Riley, Rooney, Stuart (*Charlotte*), Thomson, Ward, Whiteside.—28.

*Nays:* Adamson, Ferguson, Goode, Green, Harkness, Herridge, Higgins, Hodgson, Jones, Lennard, McGregor, Noseworthy, Pearkes, Smith (*Calgary West*).—14.

Mr. A. F. Dixon, President, Alberta Natural Gas Company was called. The witness was examined at length.

At 6.00 o'clock p.m., on motion of Mr. Mott, the Committee adjourned to meet on Wednesday, April 28, at 11.00 o'clock a.m.

ANTOINE CHASSÉ,

*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,  
April 26, 1950.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.00 a.m. The Chairman, Mr. L. O. Breithaupt, presided.

The CHAIRMAN: Gentlemen, will you kindly come to order? We have a quorum, and for the benefit of those who get to these meetings on time, I think we should start as nearly to the time indicated as possible, so we will proceed now with the consideration of bill No. 7, an Act to incorporate Alberta Natural Gas Company.

Mr. LENNARD: Are there copies of the bill available?

The CHAIRMAN: Yes. I thought the copies had been distributed. I am sorry there has been a delay in receiving the bill. I suppose we had better wait until each member has a copy, although I guess we are all pretty familiar with the bill. What is your wish? Shall we proceed?

Mr. MAYBANK: Mr. Chairman, I am sponsoring the bill. I am just going to direct your attention to Mr. Connolly, the agent for the applicants. He and the applicants, or representatives of them, are going to give general evidence in support of their application. It may be that we do not need to have copies of the bills for that purpose.

The CHAIRMAN: We have copies of the bills now.

As sponsor of the bill, Mr. Maybank, do you wish to say anything further?

Mr. MAYBANK: No, there is nothing to say excepting this, that Mr. Connolly is parliamentary agent for the applicants and he is present with a couple of witnesses. If you would call on him to give the committee such information as the committee wants, I think that is all that I need to do.

The CHAIRMAN: I think that is quite in order. We will therefore call on Mr. Connolly to come forward and give an explanation and an outline of the general principles of the bill.

### **Mr. John J. Connolly, K.C., Counsel for the Petitioner, called:**

The WITNESS: Mr. Chairman and gentlemen, on behalf of the applicant for the incorporation of this company, I am instructed to make a statement, a general statement on their behalf in opening. Now, Mr. Chairman, I have that statement in mimeographed form and I thought it might be convenient for the members of the committee if all of them had a copy of it, and if I read it after it has been distributed. If that is satisfactory, I shall be very glad to make these copies available.

The CHAIRMAN: I think that would be a very good procedure, and I suggest that that be done.

Mr. MAYBANK: Mr. Chairman, I happen to know that Mr. Connolly was evidently on the wrong side of the street and he had his leg injured the night before last. It might be that the right thing to do is to suggest to him to sit down while he is talking. And I might admonish him to keep on the right side of the street.



The WITNESS: You are very kind. I think I would prefer to stand. My injury is not as bad as that. Perhaps I would like to have a better witness than my friend here when the time comes to decide who is responsible for the accident.

Mr. MAYBANK: In this committee we can get a lot of witnesses for you.

The WITNESS: Maybe I need a good lawyer.

Mr. SMITH: Witnesses are more important.

Mr. MAYBANK: I think so, Mr. Smith.

The CHAIRMAN: Gentlemen, if you all have copies I will ask Mr. Connolly to proceed.

The WITNESS:

## *Re: ALBERTA NATURAL GAS COMPANY*

### *Introduction*

This memorandum is submitted on behalf of the petitioners for the incorporation of Alberta Natural Gas Company.

The petition for incorporation was submitted pursuant to the requirements of The Pipe Lines Act, a public statute passed in April, 1949, by the parliament of Canada for the purpose of establishing control over and regulation of the construction and operation of inter-provincial and international pipe lines designed to transport oil or gas.

The provisions of the proposed bill are identical with those of similar bills already passed by parliament and are in accordance with standard form approved by the law officers of the Crown.

The granting of this charter will establish the necessary status to enable the applicants to apply to the Board of Transport Commissioners for a license authorizing the construction of a pipe line. The Board of Transport Commissioners has wide authority and responsibility under "The Pipe Lines Act" to scrutinize carefully and in detail all applications for a licence and the passing of this bill does not in any way determine whether a licence to construct will or will not be granted.

### *The Project*

It is proposed to gather natural gas throughout the province of Alberta and, after supplying the actual consumers of that province who can be reached economically and allowing for the potential requirements of those areas, to transport such surplus gas as may then remain available to the Pacific coast to serve first the maximum number of consumers in British Columbia who can be reached economically and, secondly, with such gas as remains available to serve consumers in the United States Pacific northwest. It is necessary to include the United States market because the limited market available in Canada would not in itself support the cost of a pipe line from any of the known Canadian natural gas fields to Vancouver.

The plan is to transport natural gas from the province of Alberta by use of a 24-inch outside diameter main line operating at a working pressure of 750 pounds per square inch gauge. It is estimated that the total annual sales of gas will be approximately 75,000,000 cubic feet, being a daily average of approximately 205,000,000 cubic feet.

The proposed company will be closely associated with Alberta Natural Gas Grid Limited, an Alberta company, incorporated for the purpose of operating a natural gas gathering and wholesaling grid system in that province.



It is the considered opinion of the petitioners that a comprehensive grid pipe line system should be constructed in Alberta to provide at all times for the present and future needs of the province. The purpose of such a grid system would be to connect important gas pools in the province which are not now connected and to add such new pools as may be developed from time to time. This will provide a flexible distribution system to serve the maximum possible number of consumers in the province of Alberta and to provide a source of supply of gas for export, east or west, based on the over-all production of the province.

#### *Individuals Associated with the Project*

This project was initiated by the firm of Brokaw, Dixon & McKee of Houston, Texas and New York, engineers and geologists, following several years intensive study of the natural gas potentialities of Alberta and various studies of prospective markets where surplus gas might be utilized. This firm was a pioneer in the development of the long distance natural gas transmission industry in the United States. It was associated with the establishment of such major gas pipe line systems as United Gas Pipe Line Company, Panhandle Eastern Pipe Line Company, Tennessee Gas Transmission Company and El Paso Natural Gas Company, four of the largest pipe line systems in the world.

In addition to the firm's own research, the assistance of outstanding geologists and engineers has been enlisted in the development of this project. These include S. E. Slipper and T. A. Link, both of Calgary, and W. E. Spooner of Shreveport, Louisiana. The engineering firm of Swinerton & Walberg of San Francisco, California, together with their associates, Haddock-Engineers, Limited, and Pacific Pipeline & Engineers, Limited, have assisted in the survey of routes and costs over a two year period. No more competent or more experienced technical assistance than has been provided could be obtained anywhere.

A strong group of responsible banking firms in Canada and the United States, headed by Morgan Stanley & Company of New York City, are prepared to arrange for financing in an amount sufficient to pay for the construction of the entire pipe line system. Canadian investment bankers who have agreed to be associated with the financing are: A. E. Ames & Company, Limited; James Richardson & Sons; Tanner & Company; and Greenshields & Company.

And I may say I have letters from these various firms indicating that consent.

Various Canadian firms have agreed to act in different capacities. They include the Royal Trust Company and Lloyd's Register of Shipping, Montreal. Dominion Bridge Company, Limited has agreed to fabricate the large diameter pipe, using plate supplied by Canadian mills. It is expected that the smaller diameter pipe will be supplied by Page-Hersey Tube Company, Welland, Ontario.

All preliminary expenses, prior to the time that construction is finally authorized, are being met by the group seeking the incorporation, who have, in addition to services rendered by themselves, expended up to the present upwards of \$350,000.00 for engineering, geological and market surveys and other incidental expenses. No securities have been or will be sold to the general public until such time as construction is finally authorized.



### *Cost of Project*

It is estimated that the whole project will necessitate the construction of approximately 1,700 miles of pipe line and will cost from \$100 million to \$125 million.

Of this amount, it is estimated that the grid system, to be constructed wholly in Alberta, will cost in excess of \$25 million and will necessitate construction of upwards of 650 miles of pipe line.

It is estimated that the company's main transport line will extend approximately 1,000 miles from Alberta to the Pacific coast and will cost, depending upon the route approved by the Board of Transport Commissioners, between \$65 million and \$85 million.

### *Routes*

Haddock-Engineers, Limited and Pacific Pipeline & Engineers, Limited engaged as independent engineers for the project, have reported:

After two summers of field reconnaissance and aerial surveys on all practical routes between Alberta and the Pacific coast, five routes have finally been considered.

Of the five routes surveyed, one runs through Canadian territory in its entirety from Alberta until it reaches Vancouver.

Three of the routes run back and forth across the international boundary to avoid difficult terrain.

The fifth possible route for considerable part of its course runs through the United States.

Mr. Dixon is available to supply information on these routes, their costs and other data relevant thereto.

Matters touching engineering, terrain, cost of construction and maintenance of the line, the possibility of maintaining a continuous supply to consumers, markets, the price of gas to industrial, commercial and household users, are all matters which the Board of Transport Commissioners must consider before any order is made approving a route. The evidence to be adduced will be very voluminous and will receive careful and thorough consideration at the hands of the Board of Transport Commissioners.

The applicants for incorporation are prepared, if authorized by the Board of Transport Commissioners, to build the first described route, which runs through Canada in its entirety to Vancouver. They are also prepared to build along any route which, after full consideration of all the facts, may be deemed to be in the best interest of Canada as declared by the Board.

### *Natural Gas Supply*

Contracts for natural gas have been entered into with the following:

Shell Oil Company of Canada, Limited

California Standard Natural Gas Company

(an Alberta corporation)

A contract is under negotiation with Gulf Oil Company of Canada, Limited for additional gas. Gas will be taken from other producers to the extent that the Alberta Conservation Board may determine.

The proven natural gas reserves of these suppliers are more than sufficient to meet the entire natural gas requirements of the applicant. The only gas that will be transported out of Canada will be that which is surplus to the need of Canadians.



*Markets*

By working through a grid system for gathering gas throughout Alberta, the proposed pipe line will insure at all times adequate supplies to existing consumers in Alberta and will make natural gas available to a substantial number of Albertans not now being served. The proposed system will also supply gas to Trail, Kimberley, Cranbrook and other accessible Southern British Columbia communities as well as Vancouver, New Westminster and adjacent municipalities and Chilliwack and other communities of the Fraser Valley. At Trail and Kimberley the line will serve the important plants of Consolidated Mining and Smelting Company of Canada, Limited, as well as other users. Thus, the proposed system will supply more natural gas to more users in Alberta and British Columbia than any other proposed gas pipe line system.

It is generally agreed, however, that no pipe line project to the Pacific coast is economically feasible if only Canadian points are served. To make a project economically possible necessitates the serving of users in the American northwest. It is therefore proposed that such surplus gas as may be available after serving Canadian needs shall be marketed in that area.

\* \* \*

The foregoing information is submitted by the undersigned on behalf of the petitioners for incorporation of a company to be known as Alberta Natural Gas Company.

Dated at Ottawa this 17th day of April, 1950.

John J. Connolly,  
*Counsel for the Petitioner.*

The CHAIRMAN: The statement has been read by Mr. Connolly. Is it your wish that he be examined on his statement at this time, or do you wish to hear Mr. Dixon outline more fully the proposed operations of his company?

Mr. MAYBANK: Mr. Chairman, I would like to make the suggestion that questions might be asked of Mr. Connolly at this time, and that if he so desires he might have Mr. Dixon there with him. I suggest that if Mr. Dixon were to come up and sit beside him, any question which Mr. Connolly could not answer could be referred to Mr. Dixon and the answer given right at the time.

The WITNESS: I am completely in the hands of the committee. Perhaps it might be helpful if I said that Mr. Dixon is here and is available to give evidence. Now Mr. Dixon, of course, is The man; I am simply making a statement in accordance with instructions. It might be helpful to the committee if when Mr. Dixon's evidence is given I were to take him through the ordinary type of examination in chief, as in court. I would propose to take him through a few of the main topics, suggesting what he might discuss, and then leave it to the committee to examine him further, more for the purpose of endeavouring to cover the field than for the purpose of putting in a case. If that procedure would meet the approval of the committee I would be glad to follow it. I think it might save some considerable time and perhaps make for more orderly treatment.

The CHAIRMAN: Has Mr. Dixon a statement to make similar to the one that you have made?

The WITNESS: Well, yes; he has no written statement; but rather than have a written statement it was proposed that I question the witness on matters pertaining to this bill which I think you would want to have covered.



Mr. SMITH: Well, Mr. Chairman, I have some questions to ask this witness, particularly on the basis that he was good enough to give us a written statement and I intend to follow exactly the procedure which he has proposed in examining. However, I am entirely in the hands of the committee, but it does seem to me that perhaps a good deal of time might be saved by the answers which may be given by him and they might make it unnecessary for Mr. Dixon to cover such problems as are already covered by Mr. Connolly. However, as I say, I am entirely in your hands. I am ready to ask some questions now.

The CHAIRMAN: That would be in order, I think, and then we could hear Mr. Dixon. Does that tie in with your idea?

The WITNESS: Yes, but of course I can only answer matters which are within my own knowledge, that is why I suggested that I might examine Mr. Dixon for the benefit of the committee.

The CHAIRMAN: Supposing we have Mr. Dixon come up here so that between Mr. Connolly and Mr. Dixon we can have full answers.

The CHAIRMAN: Gentlemen, this is Mr. A. F. Dixon, President of the Alberta Natural Gas Company.

Mr. MAYBANK: Let Mr. Connolly go ahead and examine Mr. Dixon.

Mr. SMITH: No, I want to examine Mr. Connolly on the material which I have here.

The CHAIRMAN: Is it your desire to examine Mr. Connolly at this point?

Mr. SMITH: Yes, Mr. Chairman.

The CHAIRMAN: That is quite in order.

Mr. SMITH: It would be better if I proceeded in this way, and after that has been done—as I say, it may save asking Mr. Dixon a great many questions on the various points that are set out in this statement. As I say, I am entirely in the hands of the committee.

The CHAIRMAN: All right then, you can go ahead. We have to expect to develop these matters and this is as good a time as any.

*By Mr. Smith:*

Q. On the statement I want to ask you about the third paragraph:

The provisions of the proposed bill are identical with those of similar bills already passed by parliament and are in accordance with standard form approved by the law officers of the Crown?

A. Yes, sir.

Q. With regard to the last clause of that sentence is the suggestion there that the law officers of the Crown drew this Act?—A. Perhaps I should put it to you this way, Mr. Smith; that a general pipe lines act was as I understand it, drawn up by the law officers of the Crown. They had in mind the type of thing I imagine that should be done in a general way in the particular bills to incorporate companies which would operate under that act.

Q. That is an assumption?—A. Well, I think it is a fairly well founded assumption.

Q. All right, but it is an assumption?—A. Yes. Everyone who drafts a draft bill like this consulted with the law officers of the Crown, including ourselves, and there are certain features in the draft bill that certainly came as a result of those discussions.

Q. In other words you are accepting responsibility for the bill, I mean the legal aspect of it; you are accepting responsibility for that and you are not saying that the bill as we have it is the product of the law officers of the Crown?—A. Oh, no. Perhaps I might just look at some of the special



sections: Section 1, of course, is the names of the incorporators; section 3 would vary of course with each bill; it gives the capital stock; clause 4, sets out the head office of the company and is purely a question of fact. We had a good deal to do, and I think each company had a good deal to do, with the general powers clause. Now, on this clause 6, I think there were a good many drafts prepared of various bills. This bill was prepared over a year ago. It was a matter of getting powers that were adequate to needs of a company which wanted to do what this company proposes to do. Then there is a reference to the General Companies Act and to the Dominion Companies Act, and those references were worked out as a result of the provisions that were in the General Pipe Line Act and in the Canadian Companies Act.

Q. Well then, let us pass on to clause 1 of the bill—

The CHAIRMAN: We are not discussing the bill at the moment. I think that will come under a consideration of the bill itself. I think you should confine yourself to an examination of this witness on his statement.

Mr. SMITH: Quite so, but I think this question might save some time.

Mr. WARD: Mr. Chairman, may I suggest, in view of his disability, that this witness be permitted to sit down; also, that it would be perhaps more convenient for Mr. Smith if he were to sit?

The CHAIRMAN: That is very thoughtful of you, Mr. Ward.

Mr. JUTRAS: That is all very well, Mr. Chairman, but at this end of the room we are not going to be able to hear either the witness or the member asking the questions if they do not stand.

The CHAIRMAN: With all due deference to Mr. Ward, I think it is helpful in a committee as large as this one is and where there are so many interested that both the member asking the questions and the witness should stand. What do you think about that?

Mr. LENNARD: If the member who has the floor does not stand he will have half a dozen other members all speaking at once.

The CHAIRMAN: It will be quite hectic, I think.

Mr. HIGGINS: How is it going to affect Mr. Connolly?

The WITNESS: I am all right, don't worry about me.

The CHAIRMAN: I think the committee member who has the floor should stand; would you mind doing that, Mr. Smith?

Mr. SMITH: Very well, but I suffer in common with the witness as to having a bad leg, but I hope it will last long enough.

*By Mr. Smith:*

Q. Don't answer this question until the chairman says you may. Could you point out briefly to us the differences in the bill which is before us now and the one that you had before the Senate and the House I think last fall?

The WITNESS: May I answer that, Mr. Chairman?

The CHAIRMAN: Yes, go ahead and answer it.—A. I think the only difference is in clause 1 in the names of the incorporators.

Q. I think there may be one other but I won't bother with that at the moment.—A. There may be.

Q. Then, if you will turn to page 2, perhaps I should go back to the beginning of the sentence at the bottom of the first page:

The Project—It is proposed to gather natural gas throughout the province of Alberta and after supplying the actual consumers of that province who can be reached economically and allowing for the potential



requirements of those areas, to transport such surplus gas as may then remain available to the Pacific coast to serve first the maximum number of consumers in British Columbia who can be reached economically and, secondly, with such gas as remains available to serve consumers in the United States Pacific northwest.

Now, at the top of page 2, "consumers of that province who can be reached economically"; what length of time had you in mind of serving these residents in the province of Alberta? Had you in mind there following the 50 year minimum set out by the province of Alberta?—A. Mr. Smith, I would think that on a point like that it might be better to have that question answered by Mr. Dixon, if that would be satisfactory to you.

Q. Oh, that is all right. I do not want you to attempt to answer something which you cannot answer.—A. I think that question has more to do with the heart of the project.

The CHAIRMAN: Why not ask the question of Mr. Dixon now as we go along. Could Mr. Dixon not answer it now?

Mr. SMITH: I would much prefer to deal with the witnesses individually if I may because I do not think I am capable of taking on two at one time. I imagine. I shall have difficulty enough with them one at a time.

The WITNESS: Not much.

The CHAIRMAN: Proceed.

*By Mr. Smith:*

Q. If you can answer this question, I wish you would. With such gas as remains available to serve the consumers in the United States Pacific Northwest, would you care to modify that, granted that the pipe line route granted to you crosses the United States border before it reaches Vancouver? In other words, am I not right in this, that in the United States we have what is known as a power commission?—A. A Federal Power Commission.

Q. A Federal Power Commission, yes; and they have a Gas Act, a Natural Gas Act giving them authority over there in matters of transport and use of natural gas. Do you agree with this: that once the pipe line with the gas in it crosses the border between here and the United States, then their power commission has absolute control over that gas?—A. Well, the company's proposal was of course that Canadian users—first of all perhaps I should say this: your question is predicated on the proposal that the line goes through the United States before it reaches Vancouver. You are only talking, therefore, of the American route, the route which takes the gas out of Canada before it reaches Vancouver. But there are other routes which this company has, including an all-Canadian route.

Q. Only one all-Canadian?—A. But there are three others which, for practical purposes are all-Canadian because they simply dip down across the border to avoid difficult terrain.

Q. Whether they dip down or not, the moment that gas crosses the border it comes under the absolute control of the power commission of the United States, even if it only crosses for a mile.—A. I do not think so, sir.

Q. Go on, then.—A. It is the proposal of this company with respect to any gas which might go out of Canada before it reaches Vancouver that the title of that gas will be taken first of all before it leaves Canada. The gas will be sold and they will own the gas before it crosses the international boundary.

Q. They will own it in the United States?—A. In the case you are discussing now, that gas will go through a part of a pipe line which is built through the United States but in bond.



Q. You are going to ship gas through the pipe line, through the United States in bond?—A. Yes.

Q. How would you draw that bond?—A. Well!

Q. It is not like a man driving a bull over there and driving him back again. This gas can only go through this pipe line?—A. That is right.

Q. And I think you will agree with me that the power commission of the United States—that may not be the proper name for it?—A. The Federal Power Commission.

Q. Yes, the Federal Power Commission has absolute control of all gas in lines in the United States.—A. It certainly has.

Q. Then how are you going to deal with it?—A. I should not think there would be too much difficulty about working out an arrangement between the federal authorities here and the federal authorities in the United States as to the handling of that gas.

Q. By what method could they do it?—A. I should think there would be no difficulty at all about making an arrangement.

Q. It would require a treaty, would it not?—A. It might require a treaty or perhaps some simple arrangement.

Q. Well, do you know of any other way of doing it?—A. I would not think that a treaty would be the only way in which it could be done. I do not profess to be an expert on international affairs, but certainly arrangements or agreements between the two countries on problems of that kind, I should think, could easily be worked out.

Q. But do you know of any other way of bringing about such an arrangement except by means of a treaty with the United States?—A. I think it is a matter of taking title by contract before the gas leaves Canada and I think that would have a very helpful effect so far as Canadians are concerned, and I should think it would be something which the Federal Power Commission would advert to.

Q. The Federal Power Commission have control of this gas, have they not? You have agreed with me that they have?—A. They certainly have something to say about it.

Q. Can you think of any reason why the Federal Power Commission in the United States would have regard to contracts, or have regard to contracts made in Canada with respect to this gas?—A. I have certainly never practised before the Federal Power Commission and I certainly do not know what their practices or procedures are in specific cases like this. In fact, I do not believe anyone in this room would know. Possibly Mr. Dixon does.

Q. You know that the Federal Power Commission a few years ago forbade the importation of gas into Canada between—under the river between Detroit and Sarnia? Do you not know that the Federal Power Commission took that authority?—A. Mr. Dixon could perhaps answer this type of thing. It is purely factual.

Q. You know they did, do you not?—A. Mr. Dixon says "no," and I am afraid I shall just have to follow him.

Mr. CARTER: Is this not a matter that could be dealt with by the Board of Transport Commissioners? They decide the route, do they not?

The CHAIRMAN: That is right, but I think it is in order for the question to be asked here.

Mr. GOODE: With all due deference to Mr. Smith, I think Mr. Smith should address his questions to both Mr. Connolly and Mr. Dixon so that we may get something of value out of them now.



The WITNESS: There is this to be said, of course, too, that while I am a lawyer and presumably know the law in Canada, I certainly am not qualified to discuss the terms of the Federal Power Commission Act. I am not a witness as to that.

Mr. MURRAY: I would suggest that we ask the question of Mr. Dixon. He is the principal here, while Mr. Connolly who is a very able lawyer is, after all, only representing Mr. Dixon.

The WITNESS: Mr. Dixon is not a lawyer, but I think he can give some information about it.

Mr. SMITH: But he has had a lot of experience.

Mr. FERGUSON: As I understand it, any member of the committee may ask questions of anyone who appears here as a witness. We have that privilege.

*By Mr. Smith:*

Q. Probably I can satisfy everybody by putting my question in this way: referring to page 2, about  $\frac{3}{4}$  of the way down the page in the first paragraph I read:

... with such gas as remains available to serve consumers in the United States Pacific Northwest.

How are you going to do that, granted that you have a line going through the United States?—A. You are talking now only about the American line. The proposal of the company is that they will not seek a permit to export and sell gas outside of Alberta until the Alberta requirements have been met; they will also want to be satisfied, and they will not seek—in fact I think they would not get an export permit until the British Columbia requirements are satisfied. But the company is of this opinion: that there is enough gas in Alberta to look after all of the actual and potential requirements of Alberta, British Columbia, and indeed all parts of Canada that can be reached economically by a natural gas pipe line, and still be able to provide an excess for sale in the United States. I can go further than that, I think, and say there would be no international gas pipe line, no pipe line built to the Pacific coast, unless it was thought that there was that much gas, because you must have the American market in order to build a pipe line.

Q. I agree with you entirely. One would be silly to come here and seek to incorporate a natural gas pipe line unless it was thought there was enough gas to use that pipe line.—A. That is right.

Q. I shall not ask about it anymore. The thing becomes an absurdity. But I take it I shall have an opportunity of asking Mr. Dixon in respect to it. Now, I ask you to cast your eyes down the page to the next paragraph.

First of all you show the size of the line as being 24-inch outside diameter main line operating at a working pressure of 750 pounds per square inch gauge. And you say:

It is estimated that the total annual sales of gas will be approximately 75,000,000,000 cubic feet, being a daily average of approximately 205,000,000 cubic feet.

What will the peak load be?—A. I think you had better ask that of Mr. Dixon.

Q. I see. That is something with which you are not familiar and you prefer that I ask Mr. Dixon about it?—A. I would indeed.

Mr. BYRNE: Mr. Chairman, I cannot see any purpose in asking questions unless the person asking them wants an answer and wants to get some information, except it be a child asking questions of its mother merely to keep her busy. We have been sitting in the House of Commons listening to these pipe line



debates, yet I have been unable to get any information. I am here now and I want to get some information, and I would like to put some questions myself. Why would it not be permissible for the witnesses who are here and available to answer those questions?

The CHAIRMAN: There are two angles, the legal angle which Mr. Connolly is taking care of, and the practical angle. And with all due deference to your remarks, I do not think we are wasting time on it. I think we could dispose of the legal set-up of the company and then have Mr. Dixon. I think we would make more time that way in the long run. That is my personal opinion as chairman. So I think it would be quite in order to go on unless the questions become too involved for Mr. Connolly.

The WITNESS: I shall simply have to pass on to Mr. Dixon any question which involves engineering.

The CHAIRMAN: Let us clear up your end of it first.

*By Mr. Smith:*

Q. I only saw this brief this morning and the point I think, with respect, is this. When a witness comes to court and gives a statement he immediately opens himself to cross-examination on that statement. I have been getting along with you very well, I think, and where you say that the answer would be better coming from Mr. Dixon I have not quarrelled with you. I have agreed to defer those questions until Mr. Dixon gives evidence. I do not think that anybody can complain about that method very much.

Your next paragraph says this:

"The proposed company will be closely associated with Alberta Natural Gas Grid Limited, an Alberta company, incorporated for the purpose of operating a natural gas gathering and wholesaling grid system in that province".

Now, as I understand a grid system it is something which will be used to gather available gas from various pools to make it available to the main pipe line—perhaps at various places, but certainly at one place.—A. I believe so, yes.

Q. And that of course immediately raises in your mind the matter of local issues—in other words the supply of gas to the present distribution systems which are in use in Alberta at present.

Now, you are aware that there is another company incorporated to operate the grid system there—I have forgotten the name of it but it is Milner's company I am speaking of, the Inter-something—in any event a grid system within the province. Whoever builds this pipe line hopes to serve the local needs in Alberta and they hope to serve a proposed line which is to run from the southern part of the province to Winnipeg.—A. Any export line.

Q. Yes. Well what I am asking you is this: have you or your clients had any negotiations with that grid company?—A. Yes, I believe we have.

Q. Are you insisting on owning your own grid system in Alberta?—A. Again I would refer that to Mr. Dixon.

Q. Very well.

Mr. BYRNE: Let Mr. Dixon take the stand.

Mr. SMITH: My difficulty is that I am not running this committee; they have seen fit to call a witness and I am not quarrelling with that procedure.

The CHAIRMAN: Order.

Mr. SMITH: Well, I am going to leave that question. I wish to ask you this: in contemplating this grid system, I am particularly interested in the city of Calgary and the southern distribution area in which I live.

Mr. PRUDHAM: Do not forget Edmonton?



Mr. SMITH: Edmonton is well off; it owns its own distributing system but in Calgary we do not.

An hon. MEMBER: That is too bad.

*By Mr. Smith:*

Q. I feel like a prima donna here—I am being shot at from all directions and I do not know where I am going.

However, I want to ask whether in the grid system you contemplate, do you intend to connect up fields which may be used as storage fields? Perhaps I had better put it this way—A. It is a pretty technical question—I think it is an engineering question; and I think Mr. Dixon could give you the answer in very short order, and with authority.

Q. Well—A. He could give the information with authority.

Q. I am sure that he will be pleased with your recommendation—I am too, knowing something of Mr. Dixon.

Then we come to the individuals associated with the project and it is very plain there who Mr. Dixon is but I want to ask you this: in the bill which went through the Senate a year ago, known as Bill E, I notice that you were one of the persons seeking incorporation?—A. Yes, that is right, sir.

Q. With you was Mr. Alistair Macdonald of Ottawa, in the province of Ontario, and Mr. Logan of the city of Wilmington in the state of Delaware. Is Mr. Logan here?—A. No.

Q. I am sorry, because he is a very estimable gentleman; he and I do very well together. He is an attorney at law—Mr. Logan, together with such persons as may become shareholders—in other words at that time you had three incorporator's names, but now you have made additions to that number. You have added Mr. Austin Taylor and Mr. McMillan.

Mr. MURRAY: Who is giving the evidence here?

The CHAIRMAN: I do not see any objections to the question asked.

Mr. MURRAY: If everyone else will have the same right it is all right.

Mr. McCULLOCH: Go ahead and ask the questions and we will get through much quicker.

*By Mr. Smith:*

Q. I do not want to get annoyed with you, but if I do—look out, that is all. Please keep quiet; I am asking very legitimate questions and I am sure Mr. Connolly will agree.—A. I will be very glad to answer any questions you ask—of course I am in the hands of the committee.

Q. I merely read the names that appear in the Senate bill; in the new bill, however, there are other incorporators added. I named them and they are published in the bill—it is public property—and Mr. Billy Dick of Edmonton is the other one.

Now, are you in a position to tell me under what circumstances they came into the picture? That is fair, is it not?—A. Yes; and I think I can answer that question. Originally there were three lawyers named as incorporators, following a practice that is more or less general. In the debates of the House of Commons in the fall of 1949 there were several speeches made in which it was requested or in which demands were made that the people that were behind this project should be made known—there was never anything official on the record. There was also the fact that at the time these bills were originally drafted it was thought that three directors might be sufficient but it was later thought that more members of the board of directors would be useful for the company. For that reason two things were done: the number was increased;



that could only have been done otherwise, if the original bill had gone through, by a new application to parliament. That part we need not discuss. The other purpose of putting those names in was to add people who are interested in the project.

Q. That is what I am coming to. Now, in the present applicants seeking incorporation, they are the individuals who are interested in the project?—A. They are some of them; I would not think those would be all of them but certainly they are some of them.

Q. When did they come into the project? In your statement you tell us Mr. Dixon's company, or his associates anyway, have been interested for a number of years. That statement occurs later on?—A. I think that they have come in at various times. The exact dates I do not know, but from day to day there are people becoming interested in the project.

Q. What persons have joined the project since the last session of parliament?—A. I am afraid I cannot answer that; I have not got the records.

Q. Very well. When did Mr. Austin Taylor and Mr. McMillan come into the project?—A. I do not know that; I have not got that answer.

Q. All right, you do not know.—A. I have not got the records and I did not do that work.

Q. As far as Mr. Jack Moyer and Mr. Bill Dick are concerned would the answer be the same?—A. Yes, as far as I am concerned.

Q. You do not know?—A. I do not know.

Q. All right, we will leave it at that. Now, you say in the latter part of the same paragraph on page 3:

This firm was a pioneer in the development of the long distance natural gas transmission industry in the United States. It was associated with the establishment of such major gas pipe line systems as United Gas Pipe Line Company, Panhandle Eastern Pipe Line Company, Tennessee Gas Transmission Company and El Paso Natural Gas Company, four of the largest pipe line systems in the world.

Is the Panhandle Eastern the pipe line which comes to Detroit and which has a connection through into Canada?—A. Yes, sir.

Q. Do you know who financed the Panhandle Eastern Pipe Line Company?—A. I do not know. Mr. Dixon does.

Q. Then, in the next paragraph,—perhaps this is also something for Mr. Dixon,—you mention the firms and individuals, geologists and engineers, who helped and the two individuals you mention are : S. E. Slipper and T. A. Link, both of Calgary, as I see by your memorandum. Have you personally had anything to do with these men?—A. No. That has been on the engineering and geological side.

Q. Then I want to ask you if you can tell me about the two firms named at the top of page 4: Haddock-Engineers, Limited, and Pacific Pipe Line & Engineers, Limited. Are those Canadian concerns?—A. No, they are American concerns.

Q. They are American concerns. Then we come back to your financing paragraph, which is the first paragraph on page 4, in which you state:

A strong group of responsible banking firms in Canada and the United States, headed by Morgan, Stanley & Company, of New York City.

Do you know whether or not Morgan, Stanley and Company are the fiscal agents for the Bank of Canada in the United States? I see you say here they took care of a lot of Canadian issues.—A. Well, now, I cannot say whether they are the fiscal agents or not, but I do know that they are so responsible that they do work for the Canadian government.



Q. And I think they are also fiscal agents for the Department of Finance?

—A. I cannot answer that, Mr. Smith. I have no direct knowledge.

Q. Do you know whether or not they were the financiers of the Panhandle Eastern?—A. No, I do not know that.

Q. And Morgan, Stanley are a portion of the old firm of J. P. Morgan and Company, brought about by United States legislation?—A. There is no connection between the two organizations, as I understand it, but I am talking from hearsay.

Q. But it is well known that they were divided by law, so to speak, in the United States. Now, in the next paragraph, you say:

Various Canadian firms have agreed to act in different capacities. They include the Royal Trust Company...

I pause there. This is, I take it, a legal matter. Why a trust company? What are they in there for?—A. Well, the handling of the securities, perhaps. Would you like me to read a copy of a letter from the general manager of the Royal Trust Company of Montreal to Messrs. Morgan, Stanley and Company, dated the 19th of April, 1950?

Q. I do not know whether I would or not, I do not know what is in it. Please read it anyway.—A.

Cortelyou L. SIMONSON, Esq.,  
Messrs. MORGAN, STANLEY & COMPANY,  
2 Wall Street,  
New York City, N.Y.

Dear Mr. Simonson, we have given careful thought to our discussions with you regarding the pipe line project sponsored by Messrs. Morgan, Stanley and Company, and certain United States and Canadian associates. It is our understanding that you are contemplating the financing of this project in due course by the sale of senior and equity securities partly in the United States and partly in Canada. We believe that such a financing plan is reasonable, and should work out satisfactorily.

The Royal Trust Company, with branches in the leading Canadian financial centres and in London, England, and with established New York contacts, is in a position to render any corporate services that may be required in connection with the financing of your project, and we would like to have an opportunity to continue our discussions with you and Mr. A. Faison Dixon, with a view to obtaining the appropriate appointments in this connection.

A number of our clients are keenly interested in the development of the natural resources of Alberta, and we trust that when the financing of your project is being arranged, we may be enabled to give them an opportunity to participate as investors.

Yours faithfully,

(sgd) J. PEMBROKE.

They do the normal things that a trust company would do.

Q. What I want to get at is to make sure they are only acting in the capacity of trustees in connection with the project.—A. Yes.

Q. Now, in that letter they said, they contemplated issuing two kinds of securities. I did not hear what you said.—A. I will read that section.

It is our understanding that you are contemplating the financing of this project in due course by the sale of senior and equity securities partly in the United States and partly in Canada.

Q. What do you mean by "senior and equity securities"?—A. This is a financial matter, Mr. Smith. You would like to have more expert men answer that. I think you would get better information. I have not studied the



financial aspects of this thing. I have not been in on it yet. I hope I will be in on it later but at the moment, no.

Q. How can you express the hope that you will be in on something that you admit you do not know anything about?—A. As yet I do not know anything about it. I do not think it has been set up yet.

Q. What is the difference between senior and equity securities? I mean, the committee would like to know. I am more ignorant than you are. I do not think I know, either.—A. I think this is a matter that one of the financial men we have here should give information on.

Q. Do you know what kind of securities this company intends to sell?—A. No, sir, I do not.

Q. So that, as solicitor for the company you are unable to tell me what kind of securities will be sold to the public.—A. Mr. Dixon will be able to tell you that in detail. There will be bonds and there will be stock, certainly.

Q. All right, we will leave that for Mr. Dixon.

Then, I notice that you say in the next sentence of your memorandum, on page 4: "Dominion Bridge Company, Limited has agreed to fabricate the large diameter pipe, using plate supplied by Canadian mills."—A. Yes, that is my advice.

Q. Do I take the word "fabricate" to mean to roll sheets into tubular form?—A. Yes.

Q. And where will that be done?—A. Well, Mr. Dixon has conducted some negotiations there again, and had some discussions with the people concerned. I certainly did not.

Q. Well, perhaps I had better leave that.—A. In Canada, I understand. Just where in Canada I do not know.

Mr. GOODE: May I have that point settled: will it be done in Canada?

The WITNESS: My understanding is that it will be.

*By Mr. Smith:*

Q. I thought you were going to leave that to Mr. Dixon, and now you are giving the assurance to somebody that it is going to be done in Canada. Where in Canada?—A. I do not know where, but my understanding is it will be done in Canada.

Mr. GOODE: You answered me it would be done in Canada. I take it that is your answer, is that correct?

The WITNESS: Yes.

*By Mr. Smith:*

Q. And you do not know where? Tell me where in Canada there is machinery for making a twenty-four inch O.D. pipe?

Mr. MURRAY: Would you establish a factory?

The CHAIRMAN: How would it be if we left that to Mr. Dixon and make some progress?

Mr. SMITH: I am quite content to leave it. I only came back to it because the witness told Mr. Goode that it was going to be fabricated in Canada.

Mr. GOODE: Could the witness ask Mr. Dixon and then give us the answer now?

The CHAIRMAN: No, we are following a certain procedure. I think the answer will come out in due course.

Mr. BYRNE: On a point of order, Mr. Chairman. I would just suggest, if I am correct in saying this, that anyone in asking questions, if they are obviously questions of a technical nature that they reserve them for Mr. Dixon and not



waste the time of this committee by asking one who is not in a position to answer, one who has consistently said that on matters of a technical nature he is not in a position to answer. Some of these questions take up two and three minutes of our time to put to this witness, and we are thereby wasting a good deal of time.

The CHAIRMAN: Perhaps Mr. Smith would be good enough to anticipate that and divide his questions.

Mr. SMITH: I was going to say I appreciate very much the intervention of Mr. Byrne except for his last stupid statement, because I am not a person who can differentiate as to whether something may be a bit technical or is not, but, Mr. Chairman, you will agree that every time this witness has suggested that someone else is in a better position to answer, I have agreed with him and have not delayed you one minute.

The CHAIRMAN: Proceed.

*By Mr. Smith:*

Q. I was on page 4, and I did ask you about securities to be sold to the public and you told me that Mr. Dixon would also take care of that. Then, on the cost of the project I gather you would not care to express any comments with respect to that?—A. That is right.

Q. I have already asked you about Haddock-Engineers and Pacific Pipe Line Engineers. Do you know where their headquarters are?—A. Their headquarters are in California.

Q. Have you employed any Canadian surveyors or engineers, if you know, in connection with the route?—A. I do not.

Q. You do not. Now, I have already asked you about the pipe line crossing into the United States. That is taken up in the next three or four paragraphs and I am not going to ask you any more about that because you say Mr. Dixon is available to supply information on these routes—A. That is right.

Q. Now, I am going to ask you this. Do not answer it until the Chairman says you may. Which of these five routes is preferred by your company? Where do you want to build this line?—A. Well, I would think the company would prefer to build whatever line is best going to serve the interests of all concerned, Canadians first.

Q. You are against sin, that is about what you told me there, and so am I. Which line do they prefer? When they go to a board or a judicial body what lines are they going to ask permission to build?—A. Well, there are five lines which have been surveyed. In fact a good many routes have been surveyed but there are five of them they think are more practical. They have spent a great deal of money in making surveys and it is felt, because of the magnitude of the project, that what they should do is give the Board of Transport Commissioners the benefit of all the information they have on all routes. The Board of Transport Commissioners, as you know, has wide authority under the provisions of the general Pipe Lines Act and a very heavy responsibility to determine what is in the best interests of Canada, to determine in the best interests of Canada what is the proper way for one of these routes to go. Mind you, the application has not been made to the Board of Transport Commissioners. It may not be made for some time. It cannot be made, of course, without incorporation, but at that time the Board of Transport Commissioners will be given all available information.

Mr. ROONEY: Mr. Smith, there is a question here that you asked a moment ago: if there were any Canadian engineers associated with this project. Well,



I happen to notice here two names, and you should know these gentlemen, S. E. Slipper and T. A. Link, both of Calgary, who are said to be associated with the project according to the memorandum.

Mr. SMITH: Well, of course, they are intimate friends of mine; they are not engineers, they are geologists. May I continue, Mr. Chairman?

The CHAIRMAN: Yes, please.

*By Mr. Smith:*

Q. Then, is this the position, Mr. Connolly; you propose to go to the Board of Transport Commissioners and ask them for leave to build a pipe line without telling them you want to build a pipe line from here to there?—A. Well, Mr. Smith, there are two applications that are made to the Board of Transport Commissioners. There is one in which you make a general application indicating where you want to leave and the point you want to reach. There is another application in which the exact route is specified.

Q. I know that.—A. I think in the general application what this company would do would be to lay down before the Board of Transport Commissioners all the information that it has gathered on the engineering, on the cost, on markets and on every phase of the work of the pipe line company. Then, I think as a result of that, there will be some decision reached as to what is the most feasible way to go in the interest of the Canadian public at large, and that is the only interest the Board of Transport Commissioners have.

Q. Which is the cheapest route?—A. The cheapest route of the five is the one which goes down into the United States.

Q. Crossing the border at—what is the name of that place, just outside of Alberta?—A. Do you mean Kingsgate?

Q. Yes. Is that the route you favour?—A. I think that perhaps Mr Dixon could help you a good deal more than I can on that. I think our undertaking as contained in the brief on page 6, at the bottom of page 6—that undertaking is an undertaking by which this company will stand. It was for the purpose of this committee that that was put there:

The applicants for incorporation are prepared, if authorized by the Board of Transport Commissioners, to build the first described route, which runs through Canada in its entirety to Vancouver. They are also prepared to build along any route which, after full consideration of all the facts, may be deemed to be in the best interest of Canada as declared by the board.

We cannot do more than say what we are prepared to do in the circumstances under which we are operating now, considering the Pipe Lines Act as it is. We are also prepared to build along any route which after full consideration of all the facts may be deemed to be in the best interest of Canada as declared by the board. I do not think we can go any further than that.

Q. Well, you have an application before the Petroleum and Natural Gas Conservation Board in Alberta, which I have in my hands, perhaps this will help you. In paragraph 4 of this petition you say:

The project of Northwest Natural Gas Company is to buy and gather gas in the province of Alberta and transport it by pipe line through the Crowsnest Pass and to Trail, Vancouver, Tacoma, Seattle, Portland, Spokane and intermediate points.

Doesn't that help you in the line you want?—A. Doesn't that help me?

Q. Yes, as to which line you are going to ask for.—A. I don't know, I think that could be any one of these routes.

Q. Haven't you filed a plan in connection with that showing a crossing at Kingsgate?—A. That is one of the routes.



Q. Into Spokane?—A. Yes.

Q. Is that the only plan that you have filed before the Alberta board?—A. We have plans of five routes.

Q. Have you filed those with the Alberta board?—A. I was not in the Alberta application, but I would assume so.

Q. This is in connection with these places, Crowsnest Pass, Trail, Vancouver, Tacoma, Seattle and Portland and Spokane; you know where Spokane is, don't you?—A. Yes.

Q. And the idea is to take it through Kingsgate and directly to Spokane—I am not mentioning the small places—thence west to a point shortly before reaching Seattle (Bellingham, isn't it?) and then north on a stud line into Vancouver; isn't that what you are speaking about in this application—and south, of course, to Portland, Tacoma and Seattle?—A. Mr. Smith, I did not draft that. But I do say this. In view of what is contained in the undertaking, that when that was drafted, and no doubt when any of the documents are drafted, the people engaged in drafting them on behalf of this company, draft them in such a way that it will be clear that the maximum number of users both in Canada and in the United States, the greatest possible market, will be reached. I do not know that there is anything obscure about that idea as expressed in the memorandum I have read to this committee. Obviously, they want to serve the maximum number of consumers in Canada and the United States if the pipe line is to be a financially feasible project.

Q. The largest market?—A. Quite so, we want to get the widest possible markets. Now, the drafting of these applications in that way I take it is the only feasible way to do it. As I say, we have five routes and we undertake to build on any one of the five that the Board of Transport Commissioners will direct us to build on. I do not think we could go any further. It would be presumptuous for us to say we will build route "A" or "B" between certain points in a certain way to this committee. We would be misleading this committee if we said we are going to go ahead and build route "B" and we find later that the Board of Transport Commissioners would not authorize that certain route. I think in view of the legislation we could do no more before this committee than what we have done, namely engage to undertake to build whatever route the Board might direct. There has been a great deal said in the House of Commons about a Canadian route. We say of the Canadian route, "We have such a route. We have surveyed an all-Canadian route, and we engage to build that if we are so directed by the Board of Transport Commissioners." I do not know what more we can do. I think if you were the solicitor for the company you would do the same thing.

Q. I cannot tell you what I would do were I in that position, because I think my position would be a little bit altered. If I acted for the company I would no doubt do what they told me; but I want to ask you this: is this a fair statement, that you are seeking incorporation of this company to build a pipe line from a point in Alberta—and this sets out that it would be in the neighbourhood of Pincher Creek—and through Vancouver and you do not know, your company does not know where it intends to build that line?—A. I do not think we could possibly know until the Board of Transport Commissioners passes upon it.

Q. So you are going, as you said, before the Board of Transport Commissioners on that?—A. Yes.

Q. Have you ever been before them in connection with a charter for a railway company?—A. No, I have not.

Q. So your position is that you are going to go before the Board of Transport Commissioners and seek authority to build a gas pipe line and you are not in a position to tell the board where you want to build it?—A. We have five available routes.

Q. Oh, you are going to give them five chances. That is more than most of us ever get. Your position is that you are going to go there and ask them to



permit you to build a pipe line and in doing that with the power to expropriate peoples' properties and you are not in a position to tell the board where you are going to build it?—A. Mr. Smith, we are going to be in a position to tell the board the details of every foot of each of these five routes. These people have spent over a quarter of a million dollars in surveying routes they have under consideration—they have spent this tremendous amount of money on engineering and field work. All of that data is going to be laid before the Board of Transport Commissioners. What more can we say?

Q. You can tell them where you want to build it, can't you?—A. I think it is up to them to decide that, given the information we will supply and the engineering data.

Mr. THOMSON: Would it not help, Mr. Chairman, if Mr. Smith were to ask the witness where he wants to build it, where the company want to have it built?

Mr. SMITH: Yes, where do you want to build it. I am glad you interrupted me. Where do you want to build it?

The WITNESS: We want to build a line to the Pacific coast, to Vancouver, from the gas fields of Alberta. We want to build over such a route as will be in the best interest of Canada as ordered by the Board of Transport Commissioners. What more can we say?

*By Mr. Smith:*

Q. You have spent hundreds of thousands of dollars, you told me just now over a quarter of a million, surveying routes?—A. That is right.

Q. And you are not in a position to say which of these five routes you want to build that line over; is that a fair statement?—A. Let me put it to you this way, let us say that the American route is going to cost us \$20,000,000 less than the Canadian route.

Q. Well?—A. We might want to build the American route.

Q. Well, do you?—A. I don't know.

Q. Who does know?—A. There might be reasons why the Canadian route, despite that, might be the better route. We don't know. The Board of Transport Commissioners are going to have to decide that, and if the Board of Transport Commissioners say this to us: "No matter what route you might want to build it is either route "X" or no route;" We want to build a pipe line and we will go route "X".

Mr. FERGUSON: It is either that or no route at all.

Mr. SMITH: I am going to leave that now.

The CHAIRMAN: Let us clear that up, have you anything to say on that, Mr. Dixon?

The WITNESS: Perhaps you would like to have this from Mr. Dixon?

The CHAIRMAN: A little later.

The WITNESS: But what I do want to say, if you will permit me to Mr. Smith, is this: we have to take our position as we go in the light of existing legislation, that is the Pipe Lines Act.

*By Mr. Smith:*

Q. Oh yes.—A. And the Pipe Lines Act is a matter of government policy with which we have nothing to do. It was drafted in a certain way, it was put into the legislation, and we are bound by it. We have to work within the four corners of that act.

Q. You had nothing to do with that legislation?—A. Certainly not.

Q. Did you canvass anybody with respect to the Pipe Lines Act in Ottawa?—A. No sir.



The CHAIRMAN: I do not think that has any bearing on this question which is now before the committee.

The WITNESS: I certainly did not.

Mr. SMITH: Let me make it plain that I said nothing about it until he volunteered that he had nothing to do with it, and he is a lawyer.

The WITNESS: Mr. Smith, you have my assurance on that.

Mr. SMITH: Very well.

Mr. APPLEWHAITE: Could I clear up one point in connection with that, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. APPLEWHAITE: You have an application now for a pipe line before the Board of Transport Commissioners?

Mr. SMITH: No, not the Board of Transport Commissioners, before the Alberta board.

The WITNESS: I think Mr. Smith asked me whether I had ever appeared before the Board of Transport Commissioners personally.

Mr. SMITH: That is right.

Mr. APPLEWHAITE: But that was not in any way in connection with this proposed company?

The WITNESS: No.

Mr. SMITH: I am glad to have that point made clear, I did not want to have any misunderstanding about it; I merely asked you if you yourself had appeared before the Board of Transport Commissioners; it had nothing to do with this present matter.

The WITNESS: Oh, no.

*By Mr. Smith:*

Q. So, before leaving this—as I hope to in just a moment—as I understand you—and I want to get it correct—you intend to go before the Board of Transport Commissioners asking leave to build a pipe line—you follow me until I finish my sentence—a pipe line, and you are not in a position to ask permission of the Board of Transport Commissioners to build that on any given route?—A. Well, we would ask them for permission to build, as at present advised, any one of these surveyed routes.

Q. You do not expect to get permission for all five, do you?—A. Oh, no.

*By Mr. Goode:*

Q. Would you please answer this question yes or no: is the laid down cost of gas in Vancouver influenced by the different routes?—A. Oh, greatly influenced.

*By Mr. Smith:*

Q. I thought that would be a question which you would allow Mr. Dixon to answer.—A. Certainly, I want Mr. Dixon to do it. But I can say that and I think that is a perfectly legitimate type of answer to give, after having discussed the matter with these people.

Q. What is the difference in price in Vancouver?—A. As to that, I must say I do not know. But it is considerable.

Q. I thought you said it made a tremendous difference?

Mr. GOODE: I do not think he said "tremendous".

*By Mr. Smith:*

Q. What is the difference, then? The witness volunteered to answer and surely I am entitled to receive his answer?



The CHAIRMAN: I think the answer you have given, Mr. Connolly, should cover the situation for the time being. Details might be supplied later by Mr. Dixon.

Mr. PRUDHAM: The bill before the House deals with an application to incorporate a company. It does not deal with routes. I think it is entirely out of order for us to discuss routes in this committee. But if we are going to discuss routes, then all routes should be discussed, including other routes which are not covered by the survey of this company.

Mr. GREEN: Before you make any decision on a question of that kind, this same point was raised by the sponsors of this bill in the Senate, before the Senate Committee last fall, and it was admitted there by Mr. Connolly that the committee of the Senate had the right to go into some of the details about these routes, although perhaps not in such detail as the Board of Transport Commissioners; but in any event the Senate did hear evidence about the routes and I suggest there is absolutely no reason why this committee should not hear that evidence. As a matter of fact, that is what this whole question is about; and if we cannot hear anything about the routes, then there is no use in having this committee.

Mr. MAYBANK: I certainly have no objection to information being sought respecting routes, but in expressing an opinion as to the propriety or impropriety of following that particular line of inquiry I want it to be clear that as far as I, as a member of the committee, am concerned—not referring to myself as sponsor of the bill but as a member of the committee—I do not care how widespread the line of inquiry may be. That is a personal view. It surely ought to be clear that while the opposition to this bill has sought to bring up the question of routes ad nauseam in the House of Commons, it is not an issue which is before this committee in passing or in not passing this bill.

The question is only whether a group of individuals will be given the opportunity to make an application before the Board of Transport Commissioners or before other bodies. There is that fact, and there is also the question which will be uppermost in the minds of most people, whether we are going to continue, as it would appear some have sought to continue, to impose a monopoly on a particular company already enchartered by parliament. Those two things seem to me to be the only issues that this committee has before it.

I do not care how far afield we go in the matter of discussing routes, but the question which we have to consider is whether we will permit people to be incorporated in order that they may walk into a certain court and ask to be allowed to build a pipe line. There is nothing else before this committee than that. The rest of the talk which we have heard in the House of Commons and the line of inquiry in connection with the routes has nothing to do with whether or not this company ought to be born. Of course, I realize that that is just my personal view, and I realize that other people may hold differently. But I think that we should keep it in mind that we are only considering the birth of a company, or as the opponents of it might say: whether or not they can effect an abortion.

Mr. SMITH: You are trying to bring about a Caesarean.

Mr. MAYBANK: I think it is a question of whether we will allow a certain company to be born, and that is all we have before us.

Mr. HARKNESS: I would differ with Mr. Maybank on the question of the routes being a matter which is before this committee or which should be discussed before us and I would like to draw to your attention that when the applicants for other pipe line companies were before this committee a year ago we did go into the question of routes and we heard evidence on the matter in this committee and it was discussed; so we have a complete precedent for discussing routes in this case.



The CHAIRMAN: I see nothing wrong with continuing the discussion as far as routes are concerned. Moreover, the brief presented definitely refers to a route and I think a lot of the objection has been taken on account of the route. And while it is strictly not in order, I think we should allow the discussion to go on, if not too greatly prolonged, and let us see where we arrive.

Mr. NOSEWORTHY: I certainly hoped that you would not limit the discussion of this committee as suggested by Mr. Maybank.

Mr. MAYBANK: I did not suggest that. I do not care.

Mr. NOSEWORTHY: I think we are all agreed that the supporters of this bill before us told us in the House that we should get this bill before the committee for the purpose of getting information as to a route. I hope you will follow that procedure. I have three questions I would like to direct at this time.

The CHAIRMAN: Just a moment, Mr. Noseworthy. I think Mr. Smith has not yet finished. Are you finished, Mr. Smith?

Mr. SMITH: You will be happy to know that I am finished with routes. But I do want to go on with the balance of the statement. It is very very brief.

Now, on the point of order which was raised, I think one of the best speeches made in the House of Commons was made by the member for Comox-Alberni, and his whole story was that we would get this information in this committee, and it was applauded by practically all the gentlemen around the table. I am rather surprised to see the change in mind at this time.

*By Mr. Smith:*

Q. Under the heading on page 7 "Natural Gas Supply", I read the following:

Contracts for natural gas have been entered into with the following:  
Shell Oil Company of Canada, Limited  
California Standard Natural Gas Company (an Alberta Corporation).

Now, this is a matter of policy, and if you do not wish to answer, please tell me so. As you are aware, the Shell Oil Company has proven gas holdings which are at a place, a creek called Jumping Pond, situated a short distance west of Calgary, twenty-five or thirty miles, something of that sort. Is it the intention of your company to take gas only from a given field, or is it to be a grid? Do you intend to cover other peoples' gas whether you have a contract with them or not?—A. Mr. Dixon can do a great deal more with that than I can. I think we are going to be in the hands of the Alberta Board on that point.

Q. I was asked once to confine myself to legal matters. Perhaps I might ask you this question: do you think—? —A. I am a member of the Bar of Ontario, Sir.

Q. This is a problem which has something to do with the British North America Act. Do you think that the province of Alberta, by a board or in any other way, has the right to forbid the export of gas from the province of Alberta?—A. On the question of export, I think that is something that the greatest constitutional minds in the country have already gone into on both sides. But on the question as to the gas which shall be taken from various fields in Alberta, I think the Alberta government would have a great deal to say, because there it is a question of natural resources.

Q. In fact they do, and they have for some time; and you will know that a hearing is going on there under a bill or an Act which is called the "Preser-



vation of Gas in the Province of Alberta". Many people down here have been saying that it is entirely up to Alberta to say whether its gas shall be exported. Would you agree with that?—A. People in high places have said that.

Q. As a lawyer, you do not agree with it, do you?—A. My practice is not in the field of constitutional law.

Q. We shall soon be getting down to what this practice of yours is. You have thrown a lot aside.

The CHAIRMAN: Let us keep to the bill, please.

*By Mr. Smith:*

Q. I shall stop at that. But I was quite sure that Mr. Connolly would agree with me that the province of Alberta has no right whatever to stop that export. However, we have the Prime Minister on the other side, so we are not doing much there.

Now, in the next paragraph you say:

The proven natural gas reserves of these suppliers are more than sufficient to meet the entire natural gas requirements of the applicant. The only gas that will be transported out of Canada will be that which is surplus to the needs of Canadians.

Now I hope you do not mean that the two companies which are named immediately above what I have read have in their fields sufficient gas for that purpose. I hope you do not mean that, because I am sure it would be wrong.

—A. Are you purposely excluding the supply from Gulf?

Q. Under natural gas supplies, contracts for natural gas—I do not want to exclude anything. I do not think we dare. I think we have got to use the whole works.—A. I do not know. I think perhaps Mr. Dixon could tell you.

Q. All right. Mr. Dixon can tell me that. Now, turning to the next heading which is "Markets", I take it that Mr. Dixon would have the figures if anyone is interested in the cost of these various lines, approximately?—A. Oh, yes, indeed.

Q. Very well, I shall not bother you with that. But I notice you refer here to supplying gas to Chilliwack, and I was wondering how you were going to get your gas from New Westminster or Vancouver to Chilliwack.—A. That too, is an engineering problem, I should think.

Q. All right then, I may, perhaps, be able to ask Mr. Dixon about that. Do you know how far it is from New Westminster to Chilliwack?—A. I do not know.

Q. Never mind if you do not know. We can get that on the map. On the next page, page 8, you say "Thus, the proposed system will supply more natural gas to more users in Alberta and British Columbia than any other proposed gas pipe line system." I gather you would rather have Mr. Dixon also explain what is meant by that?—A. I should think so; I should think that he would be abundantly clear on that.

Q. Then you say: "It is generally agreed however, that no pipe line project to the Pacific coast is economically feasible if only Canadian points are served." I do not want to ask you about that; I want to agree with you entirely.—A. It is common ground.

Q. Many people have told me that we are going to have three or four pipe lines but the market will simply not stand it—that is your company's position, is it not?—A. That is right sir.

Q. I mean it is clear to your company, as it is to anyone else that I have talked to, that the market is only sufficient to support one pipe line. It is a simple situation, is it not?—A. I understand so.



Q. That is your understanding?—A. I understand so.

Q. Thank you very much.

Mr. CHAIRMAN: Do any other members wish to ask Mr. Connolly any questions?

Mr. NOSEWORTHY: Yes, I have some.

The CHAIRMAN: Mr. Noseworthy has the floor.

*By Mr. Noseworthy:*

Q. I have some questions, but I do not know whether Mr. Connolly wishes to answer them or whether Mr. Dixon is to answer them. However, you refer here to the fact that there is more gas available than is required to meet the needs of the applicants? Have you any idea as to whether or not there is enough available to meet the needs of the three companies—the one that has already been incorporated, and the other two that are applying for incorporation?—A. I cannot give you an answer to that, sir; I do not know. I think it would depend largely upon what the other companies were going to do.

Q. I assume that they will get their pipe line?

Mr. SMITH: They would all supply the same major market and the amount of gas is practically the same.

The WITNESS: Mr. Noseworthy wishes to know whether there is enough for the three pipe lines—and I do not know.

Mr. DARROCH: He does not know.

Mr. BYRNE: Mr. Noseworthy is not so particular whether the witness answers or Mr. Dixon answers?

The WITNESS: It would be better to have Mr. Dixon answer.

Mr. NOSEWORTHY: You indicate that you will submit details of the five routes. Can you say that the applicant will not indicate to the Board of Transport Commissioners the routes they wish to take?

Mr. McCULLOCH: That question has been asked a dozen different times.

The WITNESS: I think I have said as much as I can on that point.

*By Mr. Noseworthy:*

Q. Will they indicate to the board the route they prefer to follow—just answer yes or no?—A. I do not know that I can answer that; I think what I have said on that is as much as I can say.

Q. What I wanted is an answer either yes or no? Do I assume that you prefer not to say yes or no to that question?—A. I think it is up to the Board of Transport Commissioners to decide. We will put all the information that is available before the board.

Q. I am asking you a straight question—whether you are prepared to say yes or no to the question: “Will your company indicate to the Board the route they prefer to follow?” That should be simple for you to say yes or no to?—A. I do not know that I can give an answer different from the one I have already given.

Q. In other words you prefer not to answer?—A. No; I think I have answered it.

Q. In the form I have asked?—A. Yes. I do not think that the question can be answered by the company in that form at this time.

Q. Can you tell me this: have you any statistics to show which route will be most profitable to the company?—A. Mr. Dixon could discuss that phase of the matter with you.



Q. You have indicated that it would not be fair for you to assume that you will follow any one particular route because the Board of Transport Commissioners might refuse to give you a licence to follow any one particular route. Do you care to express an opinion as to whether or not the Board of Transport Commissioners would reject an all-Canadian route in favour of an American route?—A. I should not think they would; I do not think they would take any position until they had the evidence before them.

Q. Do you think there is any likelihood of their refusing you a route to build if it was an all-Canadian route that you asked for?

Mr. GOODE: On a point of order, Mr. Chairman: the witness is being asked to give an opinion of what the Board of Transport Commissioners might do. I do not think that is correct.

The WITNESS: Mr. Noseworthy, the only assumption I can make with reference to the hearings or decisions of the Board of Transport Commissioners is that they are a judicial or semi-judicial body. They will consider the evidence and I do not think we can assume that they will take any stand in advance of the evidence. Once the evidence is there they will make up their minds as to what, in the best interests of Canada, will be done. I think that will be the basis of their decision.

Mr. SMITH: They will determine policy—Canadian policy.

The WITNESS: I think, under the Pipe Lines Act, that is the way it is.

Mr. NOSEWORTHY: On page 7 you say that the only gas that will be transported out of Canada will be that which is surplus to the needs of Canadians. You have indicated that you have some knowledge of the available supply. Can you tell us what will be the ratio of gas required for Canadian use as compared with the total available?

The WITNESS: Those are figures which Mr. Dixon would be able to give you.

Mr. SMITH: 25 per cent.

Mr. NOSEWORTHY: Can you give us, Mr. Connolly, any assurance, provided the company incorporated last year builds a pipe line, that your company will also build a pipe line to avoid a monopoly?

The WITNESS: I cannot give you any assurance on that point. I think the question of monopoly arises over whether or not there will be more than one person to deal with in connection with the construction of a pipeline to the west coast.

Mr. SMITH: It is answered by the physical conditions of any route.

Mr. NOSEWORTHY: It depends on the number of applicants who have the right to build a route?

The WITNESS: The Alberta government feels that if they have more than one person to deal with they have a better chance of obtaining a better arrangement for themselves.

Mr. SMITH: What has the Alberta government got to sell?

The CHAIRMAN: Order, order. Mr. Noseworthy has the floor.

Mr. NOSEWORTHY: What do you mean by a better chance?

Mr. MAYBANK: Mr. Chairman, may I say a word. It is five minutes to one now. Is it your intention to adjourn at one o'clock and, if so, will you permit me to make a motion before one o'clock?

The CHAIRMAN: I shall do that.

Mr. JONES: Before you make a motion, many of us from British Columbia know the routes through our knowledge of the province but there are many



members of this committee who do not know the routes. Would it be possible to get a mimeographed map showing the five routes so that members can understand exactly what is being talked about?

The WITNESS: We could indicate the routes by some overlay on this map.

Mr. JONES: I think it would help because many of the members do not know the proposed routes.

The WITNESS: We will arrange to do that if we have the permission of the committee to use this map.

Mr. MAYBANK: May I make a motion, Mr. Chairman?

The CHAIRMAN: A motion to adjourn is always in order. Are you making a motion to adjourn?

Mr. MAYBANK: I am not making a motion to adjourn; I am making this motion: that when this committee adjourns it will do so to meet again at 4 o'clock this afternoon.

The CHAIRMAN: Are you making that motion now?

Mr. MAYBANK: Yes.

The CHAIRMAN: All right, we will put that motion.

Mr. SMITH: Well, Mr. Chairman, just a moment. This committee decided yesterday to meet on your call. Are we going to reverse that now?

Mr. MAYBANK: That decision was with respect to this meeting.

The CHAIRMAN: It was for the meeting today, Mr. Smith, and I think the present motion is quite in order.

Mr. THOMSON: Mr. Chairman—

Mr. LENNARD: Well I think—

The CHAIRMAN: Just a moment, Mr. Thomson has the floor.

Mr. THOMSON: Before the motion is seconded I would like to ask a question of the last witness.

Mr. GREEN: Mr. Noseworthy is not through.

*By Mr. Thomson:*

Q. You are on the list of people that are forming the company to be known as the Alberta Natural Gas Company and this submission is on their behalf?—

A. Yes.

Q. And any information you have here you have received from them?—

A. Yes.

Q. There is no information here that is of your own personal knowledge?—

A. Well there may be some—very little. This is the company's submission.

Q. And any answers you made to Mr. Smith in his examination were not totally of your own personal knowledge?—A. I think I qualified them as well as I could.

Mr. FERGUSON: He is a funny lawyer if he did not.

*By Mr. Thomson:*

Q. The answers you gave to Mr. Smith were largely made without personal knowledge?—A. The answers were based upon information as I had it on the points raised and received from my clients.

Q. So your testimony is entirely hearsay?

The CHAIRMAN: Oh, no.

Gentlemen, there is a motion before the chair. Is it agreed then that we shall adjourn until 4 o'clock?

Agreed.



Mr. GREEN: I would point out that ordinarily committees do not meet on Wednesday morning because of caucuses. We had a caucus this morning but in spite of that a meeting was agreed upon. I would not think, however, that it would be fair to ask us to sit again.

The CHAIRMAN: Well, there was a motion that we adjourn until 4 o'clock this afternoon. I shall put the motion.

Motion carried.

—The committee adjourned to meet this afternoon, Wednesday, April 26, 1950, at 4.00 p.m.

## AFTERNOON SESSION

APRIL 26, 1950

—The committee resumed at 4.00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum and we might as well start where we left off.

Mr. PRUDHAM: Before we proceed, Mr. Chairman, is it your ruling that the committee will continue to hear evidence as to routes and the feasibility of various routes?

The CHAIRMAN: I would like to hear the opinion of committee members on that point because I am guided by their wishes.

Mr. PRUDHAM: Well, just assuming that it is permitted or established that such will be done, I would like to know if it is permissible for members of this committee to call expert evidence on other routes that are not covered by this company's proposal?

Mr. APPLEWHAITE: I think we all agree that the purpose of this committee is to ascertain sufficient facts to reach an opinion in our minds as to whether it is in the national interest for us to give a charter to a company such as is applying here. It is therefore naturally necessary that we know something of the company's plans, and, at the same time, with the set-up as we have it today with the Board of Transport Commissioners still to come, it is not common sense for us to go into the detail as to which side of a mountain we will go or as to how to get across a lake or something of that nature. In so far as the evidence is concerned it must surely be restricted to generalities. We know that the question in the back of everyone's mind is whether or not the route is going to be in Canada. I think that is the main point and, what the company intends to do along those lines I submit is desirable evidence. However, for the sake of clarity, let us keep away from unnecessary detail into which it is not essential that we examine in any event.

Mr. McIVOR: Mr. Chairman, I have not much to say but I have read this brief and I have listened to the very able questions asked and the exposition given, but it seems to me that it all amounts to after Alberta, British Columbia and Canada being served with gas, if the company is not allowed to sell to the United States there will be no pipe line. Is that right or is it not?

An hon. MEMBER: Yes.

Mr. McIVOR: That is the question on which the whole thing hinges—after Canada is served completely—and I think that Canada should be served first.

Mr. DECORE: I have a question or two to ask of Mr. Connolly at this time.



The CHAIRMAN: Shall we decide the matter which Mr. Prudham has brought up?

Mr. SMITH: I would like to be heard on it.

I think Mr. Applewhaite put the thing rather well when he said that this has resolved itself pretty much into a question of whether the route shall be an all-Canadian route or otherwise. Now, if we are not to be allowed to go into the comparative values, if I may use that expression, of an all-Canadian route or of a partly Canadian and partly American route, then it seems to me the sittings of this committee are simply futile.

In other words, there has only been, in the debates in the House, one point of difference—and that is the one that was expressed by Mr. Applewhaite a moment ago. If we cannot dissolve that here, not before any board or anything of that kind, then I have not the least idea of what all we busy people are doing here. If we cannot make a recommendation to the House of Commons then all our debate and questioning here seems to me will have been in vain.

I quite agree with my friend Dan McIvor, here, when he says that he wants the Canadian people to be served first and such surpluses as there is to go to the United States. I think we are all heartily in accord with what he has said but all these questions then arise as to who is going to control this gas in the event that it leaves our border. We all know that the Canadian authorities have control while the pipe line is within Canada, but outside of Canada we have no control whatever.

So, with respect, I am ready to go along with the member for Edmonton West; let us as members of parliament—and this is policy—determine a policy as to whether the route shall be within Canada or without Canada. I certainly think, sir, that the proceedings here should at least be open to that particular extent.

The CHAIRMAN: I think your question was that in case we allow the rule that the route was permissible of discussion, that you would have some evidence that you wished to present in that case?

Mr. PRUDHAM: Yes, Mr. Chairman.

We all know what the situation is. I am from northern Alberta and a lot of people in northern Alberta think that the Yellowhead route is the most feasible place for the pipe line. Now, we do not know but we want to know the facts.

If we are going to spend a lot of time discussing southern routes and some of these United States routes, I would like the privilege of calling witnesses to explain any advantage or disadvantage that the Yellowhead route would have.

Mr. FERGUSON: I would believe that any member of this committee would have the right to call in any expert that could divulge any information of any benefit to this body of men when passing judgment as to whether a charter should be granted to the applying company. If it is going to enlighten us and guide us, we should be permitted to hear it.

Mr. JUTRAS: I agree that we have to decide whether a charter should be granted. However, as far as calling of witnesses on what is outside of this bill—which was the suggestion made by some members previously—that we should for instance call members of other companies which are not concerned in this particular application for charter—

Mr. PRUDHAM: Not necessarily from companies.

Mr. DECORE: There was no suggestion of that.

Mr. LENNARD: We had the expression "expert witnesses" only.



Mr. JUTRAS: Anything that deals with another question outside of this bill would be out of order and we would not have the authority to follow that action.

Now, the reason I got up is to point out that in my opinion anyway we are not called upon to decide whether the route should go through the States or should be an all-Canadian route. First of all I do not think we in this committee could possibly decide that question because we have not got the technical assistance and experts and machinery to do it.

Mr. LENNARD: We could have.

Mr. JUTRAS: No, I do not think that we would ever be able to come to such a decision.

According to the constitution, the Board of Transport Commissioners was created to do that very job. Rightly or wrongly, they were created to do that job.

Therefore, according to our legislation—according to our statutes—it is up to them to make that decision. I have no objection, as some members have suggested previously, to getting information relative to the various routes if it can add to the general understanding of the company, but to tie ourselves down, as Mr. Smith has put it—to decide whether it should be an all-Canadian route or not—I do not think should be a matter for this committee. I do not think we should start any discussion on that assumption. That is not the issue before the committee—the issue is purely whether to give a charter or not.

Mr. CARROLL: There are five routes proposed here, or there are five routes which are going to be placed before the Board of Transport Commissioners. Is one of those routes the one which my friend Mr. Prudham is talking about?

Mr. PRUDHAM: I do not know.

The CHAIRMAN: I think, with the consent of Mr. Prudham, that we can leave that matter in abeyance for decision later. After all, there is a clause about that later in the bill which we will come to and about which we will no doubt have some discussion. I think we had better proceed with the evidence.

Mr. MURRAY: Might I suggest that we do call certain witnesses after Mr. Dixon has been heard. I would suggest Mr. Link as a competent man, and also Mr. Slipper, whose name is mentioned in the brief and also Mr. Stavers, head of the Consolidated Mining and Smelting Company who could tell us about the volume of gas which would be needed for the great industry at Trail. I would also suggest an official of the American Atomic Energy Control Board who could tell us something about the needs at Hanford, Washington.

Mr. GREEN: What about the attorney's general—

Mr. MURRAY: This is not supposed to be a discussion of political matters, it is just to get the facts.

Mr. SMITH: What do you want to call Link and Slipper for?

Mr. MOTT: I think there are values apart from the matter of special localities where people are living. I think the consumer has something to say in this. After all, to run into expensive routes, just to pass through a particular locality, I think would be wrong at the present time. I think we should hear the witnesses that we have today; if we feel that it is necessary to call other witnesses we can discuss it then. After all we have a witness who is a learned engineer and it may stop a lot of this discussion if we can go on and hear him. If we are going to start calling witnesses for everyone who has experts then someone might make a motion to call an expert from England and you would never get anywhere. I suggest that we carry on the way we are and let us hear what the witnesses have to say, and what information they can give us at the present time, and forget about the rest of it as far as experts and other routes are concerned. The witness may be able to give us some information about the routes mentioned, or, of course, he may not.



The CHAIRMAN: With the consent of the gentlemen who have made suggestions, I think, in the interests of the work of the committee, that we had better proceed and we can have some discussion later on.

Mr. MURRAY: Certainly I would not want to delay proceedings one minute. But these gentlemen I have mentioned would be parties to the general picture. Two of them would be great consumers of these products and they would have something to say to the committee.

Mr. HIGGINS: I am only trying to understand this matter—I know very little about it actually, but it strikes me that this morning, arising out of the questions of Mr. Smith, the answers that Mr. Connolly gave with respect to what happens to the gas in the United States and the oil being in bond, had to do with the question of American law. Mr. Connolly very frankly replied that he was unable to answer these questions. I do think, sir, that we should have an expert on the American legal situation before we make our final decision.

**Mr. John J. Connolly, K.C., Counsel for the Petitioner, recalled:**

*By Mr. Decore:*

Q. I wish to ask Mr. Connolly a question with regard to page 6 of his memorandum which says this: "The applicants for incorporation are prepared, if authorized by the Board of Transport Commissioners, to build the first described route, which runs through Canada in its entirety to Vancouver. They are also prepared to build along any route which, after full consideration of all the facts, may be deemed to be in the best interests of Canada as declared by the board."

The question I want to put to Mr. Connolly is does that mean to us that the applicant is prepared to build this pipe line along any route of the five routes referred to in this memorandum, or would it take into account other routes that have not yet been studied by this applicant?—A. Perhaps Mr. Dixon can answer that more fully. Certainly, so far as the five routes are concerned, the undertaking means exactly as we have written it—there may be variations.

Q. You do not know whether it takes in any other possible routes?—A. I think Mr. Dixon should give that information.

*By Mr. Goode:*

Q. I want to ask one question which is in two parts. Mr. Smith made an inference this morning regarding the possible connection between two parties—the Morgan Stanley Company and the Bank of Canada.—A. I have made some inquiries since I was here and apparently Morgan Stanley and Company have no connection with the Bank of Canada.

Q. He also inferred that there was some kind of connection between Morgan Stanley and Company and the federal government?—A. No; I have been given the information since the adjournment, and I understand that the fiscal agent for the government of Canada is the Bank of Montreal through its New York office.

*By Mr. Herridge:*

Q. Mr. Chairman, I would just like to ask about three or four matters. I am not very well versed in legal procedure but I do know, Mr. Connolly, that it is necessary before a private bill is brought before the House of Commons that the company concerned secure a sponsor to send the bill to the House of Commons.—A. Yes.

Q. Did your principals approach or try to get any British Columbia member to sponsor this bill?—A. I do not know; I was never at any time looking for



a British Columbia sponsor as such. There were British Columbia men who were interested but Mr. Maybank was the sponsor at the last session and he took it on again.

Q. When you were answering Mr. Smith this morning I think he asked you whether there would only be one pipe line built through British Columbia and I think you replied that was so, in view of the market?—A. I think so, but that is a matter for Mr. Dixon, rather than for me.

Q. I would just like to ask a further question in that respect. In case only one pipe line is practical whichever company gets that pipe line through exercises a monopoly as far as distribution of gas is concerned?—A. That may be, in British Columbia.

Q. Mr. Connolly, you mentioned this morning that you referred to the debates in the House on a similar bill last session. As a result of those debates it appears from your evidence that the company decided to include additional names as sponsors of the bill. Would you say that your company's plans and approach to the question have been somewhat changed as a result of your reading of the debates in the House of Commons?—A. No, I think the plans and approach are fundamentally the same and have been from the beginning. I know that perhaps in most cases the names used for the sponsors—the nominal sponsors—are people in a lawyer's office, but it was suggested at one time that the people that were actually interested in it should join as sponsors. That was done. There was nothing mysterious about it. It was simply a step that was taken—but certainly to meet the wishes of the members of the House.

Q. I have just one more question at this time. Did your company approach Mr. Austin Taylor and Mr. H. R. McMillan and ask them to give their support to this company?—A. Well I do not know; I did not do that branch of the work.

The CHAIRMAN: Shall we hear Mr. Dixon?

Some hon. MEMBERS: Yes.

Mr. GREEN: No, no. I have several questions to ask Mr. Connolly.

Mr. THOMSON: I submit, Mr. Chairman, that Mr. Connolly should never have been examined. He has explained his submission—which is all that a man can do. He admitted to me this morning that any evidence he gave was hearsay and the man that can give forthright first hand evidence is here—

Mr. FERGUSON: He did not admit that it was all hearsay.

Mr. THOMSON: He did.

Mr. FERGUSON: That is your opinion.

*By Mr. Adamson:*

Q. I have a question which is rather a legal question and I think that Mr. Connolly is the proper man to answer it. It does not refer to any technical matters at all. Can Mr. Connolly inform the committee as to how the case was resolved by either the A.P.I. or by the oil producers or gas producers of the United States who made an appeal to the Federal Power Commission for the prohibition or the drastic restriction of any further importation of gas and oil into the United States. How was that resolved?

I ask the question for this reason: if the Federal Power Commission, as I understand it, is in a position at any time to cut off the importation of gas or oil into the United States, if your people build a pipe line into the United States you are leaving yourselves surely in a position of great jeopardy?—A. On the question of the American oil case I am not competent to answer. The other points in the question are largely questions of fact on which I have not got the information.



Q. But you do know about the case being appealed to the Federal Power Commission?—A. I do not know what the status of it is.

Q. I think this committee should have that?—A. I am sorry I have not got the information.

Q. If they are going to prohibit the importation of gas and oil you are going to have some trouble in running your pipe line out of there?

Mr. DECORE: I submit that we should proceed with the evidence of Mr. Dixon and that Mr. Connolly can be called later.

Mr. MURRAY: I would so move.

Mr. PEARKES: On page 2 of the brief submitted this morning the witness says that: "The proposed company will be closely associated with Alberta Natural Gas Grid Limited, an Alberta company, incorporated for the purpose of operating a natural gas gathering and wholesaling grid system in that province."

I wonder if the witness can inform me as to where that gas will be gathered? Will there be a central gathering point at the extremities of one of those red lines or will the gas seep into those red lines—which I presume indicate the route of the system?

The WITNESS: General Pearkes, would you defer that question to Mr. Dixon because it is one that he can answer.

The CHAIRMAN: Just a moment, gentlemen, we have a motion by Mr. Murray that Mr. Dixon be now heard.

Mr. GREEN: Well just a moment—

The CHAIRMAN: Mr. Green—

Mr. GREEN: Are you ruling out discussion on the motion?

The CHAIRMAN: There is a motion before the committee.

Mr. GREEN: I am entitled to debate it.

The CHAIRMAN: I am accepting Mr. Murray's motion and if you want to debate it that is quite all right.

Mr. GREEN: I suggest that is a very high handed procedure and in effect amounts to—

Mr. MURRAY: Mr. Connolly is a barrister and solicitor representing this company—what does he know about its technical business?

The CHAIRMAN: Order, gentlemen. Mr. Green, go ahead please.

Mr. GREEN: Mr. Connolly has come here and given us a statement and we are entitled to question him on that statement. That was done in the Senate in just exactly the same way last year. There are different questions on which Mr. Connolly alone is informed.

Mr. MURRAY: He is, of course, a lawyer.

Mr. GREEN: We have a right to ask him those questions.

Mr. DECORE: Mr. Connolly can be recalled if necessary.

Mr. GREEN: It is not a matter of recalling him. We have the right to question him when he is on the stand.

Now, Mr. Chairman, you are not surely going to accept the motion which in effect shuts off any further examination of Mr. Connolly. This is the time to examine him and to finish with his story. There is not a great deal more to it and I suggest this is entirely contrary to the procedure of committees in the House of Commons if a closure motion of this kind is to be put.

If that is to be done we all recognize what it is and we can act accordingly. I would like to tell the members of this committee that this project is of more vital concern to the province of British Columbia than any project that has ever been mentioned for that province.



We have the position that the legislature of British Columbia passed a resolution, unanimously, urging that this pipe line go through the Yellowhead Pass because they want to have the development take place in British Columbia and not down in Washington. You can see the map there. These sponsors have marked the routes and the main route is the yellow line. That develops Washington, and not British Columbia. The British Columbia legislature has gone on record 100 per cent as being in favour of the Yellowhead Pass route which will develop British Columbia.

The CHAIRMAN: I would ask you to confine your remarks to the motion.

Mr. GREEN: I suggest that the motion should not be entertained until we have had a reasonable chance to cross-examine Mr. Connolly. Now there are legal matters—for example he said this morning that this bill was the same as two other bills. It is not the same, and I want to ask him about that.

The CHAIRMAN: I would respectfully submit that you will have the opportunity later to ask Mr. Connolly questions. The question now is whether we shall hear Mr. Dixon at the present time. I am sure that Mr. Connolly will be glad to answer any questions after that. I really do not see how you can object to the motion.

All in favour of the motion,—I am going to put the motion.

Mr. GREEN: I beg your pardon.

The CHAIRMAN: You can discuss these things with Mr. Connolly afterwards.

Mr. GREEN: An attempt is being made to prevent us from completing the examination of Mr. Connolly. Why is that being done?

The CHAIRMAN: I think as Chairman I can see that a good deal of the evidence that Mr. Dixon has to submit to this committee will enlighten us and save us a good deal of time and enable members of the committee to ask possibly more intelligent questions of Mr. Connolly later, and therefore, I am going to put the question.

All in favour of the motion made by Mr. Murray—

Mr. GREEN: Mr. Chairman,—

The CHAIRMAN: All in favour of the motion of Mr. Murray,—

Mr. GREEN: Am I to be prevented from saying anything further? Are you ruling that I cannot say anything more?

The CHAIRMAN: I am ruling that I am going to put the motion.

Mr. GREEN: In other words, you are refusing to let me talk any further on this motion, is that what you are doing?

The CHAIRMAN: If you will confine your remarks to the motion, all right, but if you are talking on the entire bill and the route, then you are out of order.

Mr. GREEN: What right have you as Chairman to rule that nobody else can talk on this motion?

The CHAIRMAN: I do not get your question.

Mr. GREEN: What right have you got, as Chairman, to rule that nobody else can talk on this motion?

The CHAIRMAN: I say we are ready to put the question.

Mr. GREEN: You will not hear anybody else on this motion?

The CHAIRMAN: I will, if they are talking on the motion.

Mr. GREEN: I suggest that an orderly way to conduct this inquiry is to finish with one witness when he is on the stand and not to be faced with the necessity of breaking off, calling another witness, and then recalling the first one. We will save a lot of time and we will get this story out in the proper way if we carry on in the way that all other committees of the house carry on their



business, and I suggest this motion should not be put at this time. The very fact of the motion being brought in is an attempt made to cut us off—

The CHAIRMAN: Not at all.

Mr. GREEN: —shows that there is an attempt to high pressure this thing through the Committee.

Mr. HARKNESS: Speaking to the motion, Mr. Chairman, I have two or three questions I would like to ask Mr. Connolly, which I think lie in his province in the legal end of things. A considerable number of other people have been permitted here today to ask Mr. Connolly questions, and I do not see why I should not have the same rights as other members of the committee who have previously been able to ask questions. I would ask permission to ask these questions of Mr. Connolly at the present time before this motion is put.

Mr. FERGUSON: I want to assure you that this question is purely on legal matters. Apparently that strikes a current of great amusement among the audience who are doing more filibustering by their nonsensical laughter, buffoonery and remarks. This gentleman is a lawyer. He is a barrister at law. He is not a geologist or an engineer, and I reserved my question until the other people had questioned him thoroughly. My question is purely and simply on matters of law regarding charter, subsidiary companies that only a barrister can answer intelligently. Now, then, am I to be denied the right because Mr. Murray suggests that he would like to question somebody else—am I to be denied the right as a member of this committee to be able to continue with the present witness as is the custom in every court of law in the Dominion of Canada? Am I being denied the right to question a witness, a lawyer on purely legal matters that I am doubtful that my friend, who is a geologist and a learned engineer, could answer? I think it is most unfair, sir.

The CHAIRMAN: Question.

Mr. HIGGINS: I am from the island at the other end of the Dominion and I do not profess to know much about this matter but I feel we should have first things first. I agree with Mr. Green, and the reason I agree is this: I read the brief submitted by Mr. Connolly to the Senate and there could be very considerable differences between that brief and the brief he puts in today, and Mr. Connolly is certainly the one who can answer questions on that as he is the one who prepared the brief. Before we get down to the question surely we should clear up any differences there are in that very field. I do not see how we can possibly question Mr. Dixon until we get those items cleared up.

The CHAIRMAN: Are you ready for the question?

All in favour of hearing Mr. Dixon?

Carried.

Mr. GREEN: Can we have a poll vote on that, Mr. Chairman?

The CHAIRMAN: Yes, certainly.

All in favour of the motion to hear Mr. Dixon, please answer yea when your name is called, and those against answer nay.

The CLERK: The result is yeas, 28; nays, 14.

The CHAIRMAN: The motion is carried to hear Dr. Dixon. I would ask Mr. Dixon to give a short outline.

### **Mr. A. F. Dixon, Geologist and Engineer, called:**

*By Mr. Connolly:*

Q. Mr. Dixon, you are one of the incorporators of this particular company?

—A. Yes.



Q. What is your education, Mr. Dixon?—A. I am a graduate of Harvard College, of the Harvard Graduate School of Applied Science.

Mr. ADAMSON: Would you speak a little louder please, as we have difficulty in hearing you at this end of the room.

*By Mr. Connolly:*

Q. What is your present firm or present business association?—A. I am a member of the firm of Brakow, Dixon, and MacKee which has been in existence since 1919.

Q. What is the business of that firm?—A. Engineers in petroleum and natural gas, and geologists.

Q. How long have you been in that business?—A. Since I graduated from the Harvard Graduate School of Applied Science in 1911 I have been working in geology.

Q. Mr. Dixon, have you had experience in connection with the construction and operation of pipe lines before you entered into this project?—A. Yes, I have had a very large amount of experience.

Q. Would you say what countries you had that experience in?—A. Well, all my experience in the pipe lines has been in the United States to a major extent except in very minor things outside.

Q. Now, would you, for the benefit of the committee, outline the extent of your experience on gas pipe lines in the United States?—A. I was geologist and engineer for the first pipe line in the United States that was built with public financing. That was the Houston Gulf line from Corpus Christi, Texas, to Houston. That was in the year 1928, I think. Before that I had been working on a great many other small enterprises, estimating gas reserves. Starting in, I think, in 1924, I did my first work on natural gas. No, that was not quite right. I worked on natural gas for the United States government during the first world war, making estimates for them of the reserves of natural gas in Texas and Louisiana. I worked on a whole series of small enterprises. This one that I just mentioned grew into the United Gas Company, which is now one of the large gas companies in the United States. I was engineer, making the surveys and constructing the line as inspector and engineer of the line from Houston to the northern part of Louisiana. That was in the year 1929, I believe. Then I worked as a geologist for the Southern Natural Gas Company which is a line from Louisiana to Alabama and Georgia. That was a line about seven or eight hundred miles long. I worked for the Missouri Kansas pipe line, which started an enterprise to build a line out of Hugoton, Kansas, and the Panhandle field of Texas. I did a good deal of work on that, making the field surveys as to how much gas would be consumed. My partners did the work on the gas reserves and I was in charge of the construction of the line up to the time it was built to Indianapolis. That was a line of about 950 miles in length. It has since grown into a line extending all the way to Detroit and, I think, counting the double lines, it is three thousand miles in length. I am not quite certain just how many miles of line we have, but that is one of the great gas lines of the United States. Afterwards, I became a director of that company for a good many years.

I was among those who promoted the Tennessee line, which is a line which starts near the border of Mexico. The first project ended in west Virginia and it is now being extended to Buffalo. That was originally a line twelve hundred miles in length. That was built during the war. I was the consulting engineer during the construction of that line. I had been the engineer, at the start, of the El Paso line, did the work for them in estimating the gas reserves, estimated the market and built the line. That original line, which was about two hundred and forty miles long extended from Lea County in Mexico to El Paso and its environs. That was in the year 1928, I think. That line now has been extended



to California and is one of the great lines of the world. I am still their consultant on gas reserves and other matters.

Mr. SMITH: On what other matters than reserves?

The WITNESS: Markets, and some things, on construction.

Aside from this, I have done work in a small way for other companies such as the Transcontinental, which is a line from Texas to New York. All I did for them was to make some estimates on a part of their gas reserves to appear before the Federal Power Commission.

I have appeared before the Federal Power Commission, many regulatory bodies, state bodies, and the Department of Justice of the United States. I qualified as an expert on construction, markets and gas supplies.

The start of the present enterprise was really about four years ago when in looking at the map of the United States we decided that one part of the whole North American continent that did not have any gas was Vancouver, south to Portland. I was at that time working in California and we drove up and looked at the market in the general region along the coast and we decided that that certainly was an excellent market for gas. I then went back to New York and our first idea was to build a line from the Hugoton field in Kansas across Wyoming down to Portland. So I drove along the length of the route making a rough sketch, marking on a map as I went along and trying to make an estimate of the costs. That was, of course, a very long line, but it looked fairly feasible, but it seemed that we might find a place that was nearer, so I went up to Alberta.

Mr. CONNOLLY: Is this the first time you had ever been in Alberta or had any association with it?

The WITNESS: I had been in Alberta quite a few years ago along the southern boundary when I was looking at the gas fields there where they had a little extension coming down to Shelby and those small towns there.

Mr. SMITH: That is just used for power in drilling oil wells, that little stub, is it not?

The WITNESS: Yes. My partner, Dr. Brokaw, had worked in Alberta thirty-eight years ago while he was still in college. In the year 1934 I was given the job of making a study of bringing gas from the Turner Valley field to Winnipeg. We worked on that and as of that time decided that it did not seem feasible to bring gas that great distance for the comparatively limited market there and so nothing was done about it. About three years ago my partner did some work for the Flin Flon mines to try and get gas in Saskatchewan. There was not much gas there. At least there didn't seem enough to justify building a line back into Alberta where there was an abundance of gas, making the gas more expensive than the fuel they had, so that project was dropped.

So, we had Alberta somewhat in our minds for many years. I went to Alberta and first thing called on Mr. Tanner who is the Minister of Mines, and all the gas companies there, and got such information as I could on the gas supply, and it seemed to me they had—this was over four years ago—enough gas to justify a line. I then started to see if there could be found a route from Alberta to bring the gas to the coast. I first went through the Kicking Horse Pass, around the Great Bend, through Kamloops, and down the Fraser river. That looked like a reasonable route on the map but it soon proved to be one that was utterly impossible on both ends. I then came back and went down across the Banff national park, down to the Radium Hot Springs, down to just opposite Trail, and then in to Cranbrooke. I had a small plane and flew over the mountains there, there being no road in that immediate region going towards Trail except those making a long circuit around the mountain. I came back through Kicking Horse Pass and then went south around to the Glacier national park in the United States. That route did not seem at all feasible.



Then we worked back from Vancouver. At that time the road had not been started going up towards Hope—the recent road that has been constructed there is through Princeton and Hope—and then I came through the Yellowhead pass north of Kamloops and although I did not make a very careful study I thought I saw enough of it to think that there were other better routes.

I then went down to see if we could find some way to get across the mountain barrier and found that there was a tunnel between Vancouver and Seattle that had been abandoned by the Great Northern Railway which took away the difficulty of going through the Cascade range. Then we studied that route with considerable care.

After we had done this work, which involved two summers of work, we then decided, the group that was doing this with me, two other gentlemen and my partners—we had put up all the funds for that work up to this time—we decided that we had possible routes, a good market and plenty of gas, so we felt justified in getting other people to come in with us, folks who had been associated with us in other enterprises, to put in money with us and we started to hire people to do some more work. We then hired Mr. Slipper and others to work on the geology, and also my partner worked on the gas supply. My partner worked on that while I worked chiefly on making the contracts for the purchase of the gas and the market and the routes. We hired the firms that are controlled by Alfred Swinerton, who is an engineer and contractor whose main office is in San Francisco. We thought that he was the most competent person for such work, as he had built the line from the Barco concession in Colombia near Venezuela across a branch of the Andes mountains into the valley of the Magdalena.

I was familiar with that country and knew how difficult it was to build anything. He also built the oil line in the United States coming into Salt Lake City. He is a well known and extremely competent contractor and engineer. One of the companies that he controls, the Haddock-Engineers as well as the Pacific Pipe Line and Engineers Limited, made an agreement to do work for us in locating a line. For two summers they have been working back and forth across that country making a survey, and the result is that we have picked out what we call five routes. As you can see by the map on the wall, some of the routes join in with the others, so you can see there are many more routes than that because it depends on how many times you would tap into the United States.

There is one route we have that goes entirely through Canada as far as Vancouver. The other one goes south to a point near Spokane, then crosses to the flat plains of Washington to the Cascade mountains and then through the tunnel and then branches, the main branch going north, and another branch going south. I think you can see the different colours on this wall map. This red coloured route is an all Canadian one until it reaches a point near the border in British Columbia, where it comes down to Portland and to Seattle. The other line leaves British Columbia, at Kingsgate, comes down to Spokane, then goes through the tunnel. It is more or less the line from here going both ways, it is common to all the different lines.

Another projected line leaves British Columbia at Kingsgate, comes down to Sandpoint, follows around close to Trail and then comes to a point a little west of Allison Pass. Another project comes across to Trail, then drops out of Canada into the United States just south of the border and goes to Allison Pass. The company for which we are now asking a charter starts at a point near Pincher Creek which is here. All the rest of the line is all in Alberta and is what we call a Grid System. This grid system will take the gas from the various fields and we are constructing it of such a size and capacity that if for any cause the gas declines in the Turner Valley field which now supplies the major portion of the gas in Calgary, our system would be able to supply all the gas to Calgary with hardly any change except for a few compressors.



The gas will be brought from here (indicating) through the Kicking Horse Pass which is by far the best pass that I have seen through the mountains—

Mr. GREEN: The Crow's Nest Pass—

The WITNESS: —down to this point (indicating)—that is common to all projects. The thing that has not been determined is whether the line should follow this yellow route, the red route all the way, or the blue route, or any various combination of those routes. Of course you all know that part of the route is flat open plains and fairly easy to go through all the way from Kingsgate to the Cascades. From this point there is a very high mountain range with no roads and it is a very difficult route.

Along this route it is very twisty and difficult, because of the fact that the ground is moving. They have a route that has been constructed there through Allison Pass and they estimated the cost at \$4,000,000 but it cost \$12,000,000 because, as they cut into the side hills the hill moved across. That makes for very difficult pipe line construction. That is what makes the line more costly in going through the Canadian routes. It is just the difference in terrain.

I have an estimate of costs of construction of these lines which I think might interest you. These costs include both pipe lines and compressors. As you can see, taking all that route—(indicating) practically all of the gas comes to this point (indicating) and then a large part goes south. Coming through this route (indicating) then the gas is divided and goes in two directions. That makes necessary different sized pipe in two different projects, but everything is figured on the same amount of gas in each project—excepting here at the atomic energy works which is too far off if we go on the all red route. You could not supply that market on account of a range of mountains and the great distance from here to here (indicating).

Mr. PEARKES: Could the witness indicate the Yellowhead route?

The WITNESS: The Yellowhead route starts at Edmonton—I have heard the testimony in regard to the route although I claim to be no authority on it but I have been through it. It comes through Yellowhead Pass by Mount Robson and then it follows down somewhat along this railroad here (indicating). There is no highway through here—or at least only a very poor highway. I have been through here on the train and I have gone up part of the way here (indicating) as far as you can go in a car and then you take the train down here (indicating). It is all difficult construction, both through the Yellowhead and in the regions down here (indicating). It was certainly such that other routes seemed to be more desirable at the time. We are still working and expect to work all this summer on these various routes. It is a big job and takes a long time.

Now route A is the all red route and the estimated cost for that—over and above interest and incidentals, organization expense and a whole series of other expense which would be common to any route—was \$78,806,000.

*By Mr. Green:*

Q. Is that down to Portland?—A. Down to Portland, yes. They all cover the same markets excepting that only one can get to the atomic plant.

Q. How much is it to Vancouver—that line?—A. I do not know whether I can give that. This is highly academic because you cannot build a line to Vancouver unless you go ahead and build away from there.

Q. You can tell the cost to Vancouver and then from Vancouver to Portland, can you not?—A. Now on route A, that is the red line, it is about \$47,000,000 to Vancouver.

Q. That would be about \$31,000,000 then from Vancouver to Portland?—A. No, the other branches and so on make it a little more difficult than that.



*By Mr. Harkness:*

Q. What point of departure are you taking for that route?—Are you taking Pincher Creek?—A. Yes; it is a little further over than Pincher Creek—no, in this one I am taking Pincher Creek.

Q. This is exclusive of the grid system—the gas gathering grid system?—A. No, the grid system is common to them all.

Q. But the point I am making is that the figures you are giving are exclusive of the grid system in Alberta?—A. Which figures do you mean?

Q. The figure of \$78,000,000 and then \$47,000,000?—A. That includes the grid system.

Q. It does not?—A. It does. I thought you were trying to make a comparison between two different routes.

Q. You said that the point of departure was Pincher Creek?—A. I was answering another question which I thought was about the difference in cost from one point to another. That is a little difficult to answer because you must give it on the basis of the over-all cost of the whole enterprise.

Q. My question was whether Pincher Creek was the point of departure and the basis on which you compiled the figures of \$78,000,000 and \$47,000,000, and you said yes.—A. No.

Q. Pincher Creek is not the point of departure?—A. I was wrong—if we misunderstood each other—

Mr. GOODE: May we just get the figures first and then members may ask all the questions they want. It is especially important to the members from British Columbia and we will only be confused.

Mr. SMITH: That is not true of anybody else.

Mr. GOODE: Speak for yourself.

The WITNESS: I think I might give some figures which will answer the question. The grid system is \$23,872,000. The Alberta Natural Gas Company's main 24 inch line starts at a point near Pincher Creek and goes to a point near Vancouver. The cost for the all-Canadian route is \$47,829,000. The Spokane lateral which would come down here (indicating) would be a twelve inch line.

*By Mr. Smith:*

Q. It would not be a twelve inch line, following that pink route?—A. That would be just a line to Spokane. I think I have some error here—I have a figure of about \$100,000 but I think there is something wrong here. That is not a very large part of it—it may have been rubbed out.

Q. It would be a main line, the same size as the other?—A. The line which is here is a twenty-two inch line costing \$1,385,000; and the lines around Cranbrook and Kimberley come to about \$2,500,000. That, with a few little branches makes a total, including the Alberta Natural Gas Company of \$73,465,000.

Mr. GREEN: What was the one down to Portland? I did not hear it? You were speaking towards the map when you gave that figure.

The WITNESS: I have not got that—wait a moment—all the figures I have given you are for the lines in Canada. The line going into Portland is \$13,409,000. That is the line in the United States branching off from the main line to Vancouver.

The Spokane lateral which is twelve inch is \$3,602,000. That is the part in the United States. The other figure I gave you of \$100,000 was for the part in Canada. You see how the lateral coming from here on down is partly in Canada and partly in the United States.

Mr. SMITH: What is the diameter, O.D., of the pipe south to Portland?



The WITNESS: Twenty-two inch to a point near Seattle and twenty inch from there to Portland.

Mr. SMITH: O.D. means outside diameter, does it not, just so we will know?

The WITNESS: Yes, sir. Then we have various other laterals.

*By Mr. Green:*

Q. What are they?—A. Those are laterals in the United States. A lateral to Everett, to Tacoma and Centralia.

Q. To Centralia?—A. Yes. Then we have the compressors which add about another \$20,000,000 to it. Altogether, on this line, the total cost, which I suppose is the thing of greatest interest, in \$92,000,000 in Canada and in the United States is \$18,500,000, making a total of \$110,604,000.

Q. That is on the all-Canadian route?—A. That is the all-Canadian route.

Mr. FERGUSON: What is it for the American route?

The WITNESS: Well—that includes the line to the atomic plant which is really not making a comparison—I have a figure of \$61,862—but if that was left out, I could not give the figure.

Mr. GREEN: You could work out figures for each could you not?

The WITNESS: Yes, but you must consider these figures as somewhat general as it is pretty hard to make a direct comparison. Different sizes of pipe are needed when you are going in different directions and as near as we can get in going over the route that is most American as against the route that is most Canadian—that is all-Canadian actually to a point near Vancouver—the cost is \$78,806,000 as against \$61,602,000.

Mr. FERGUSON: \$62,000,000 as against \$79,000,000?

The WITNESS: Yes.

Mr. SMITH: The compressors are included in both figures?

The WITNESS: Yes.

*By Mr. Green:*

Q. You had a figure of \$110,000,000 odd on the Canadian line. What is the corresponding figure on the line which goes through the States?—A. \$94,645,000.

Q. How much of that is spent in Canada and how much is spent in the States?—A. \$45,640,000 is spent in Canada and \$49,005,000 is spent in the United States, making a total of \$94,600,000.

Q. There is more spent on that line in the United States than in Canada?—A. Much more is spent in the States on that one. Of the \$110,000,000 there was only \$18,500,000 spent in the United States.

Mr. HARKNESS: Mr. Chairman, this information in regard to costs, as far as I am concerned, has become very confusing. I am quite familiar with the geography out there, having driven over it several times, and I think that people coming from other parts of the country must be terribly confused as to where these lines are and as to their cost. In order to clarify the situation I would suggest that it would help the committee a great deal if Mr. Dixon could prepare a table showing in a simple form route one, from Pincher Creek to Vancouver all-Canadian and the total costs, and route two, from Pincher Creek through Spokane to Seattle, or wherever it goes, and deal with the other routes in the same way, specifying the main places and the total costs in each case. Then we would have it in a form which we could readily assimilate.

The WITNESS: Yes, I have practically prepared that information right here.

Mr. HARKNESS: My point is that we are going on and everyone is getting confused.

The CHAIRMAN: Yes, for those of us who do not know the terrain that might help. Could you do that?



The WITNESS: I could do that tonight.

The CHAIRMAN: And have it for the next meeting?

The WITNESS: Yes.

Mr. McCULLOCH: Have it broken down by different numbers.

The CHAIRMAN: Will we go on then to the other phases of the project?

*By Mr. Green:*

Q. Have you got any figures on the other three alternate routes?—A. Yes, the route that is red to Trail, which is here (indicating) and then blue to Osoyoos, and which follows on to there (indicating) will cost \$76,550,000.

Q. About \$4,000,000 cheaper than the other route?—A. Yes. It is interesting to note that the distance on the all red route is 1,011 miles—that is the one that we are calling the all-Canadian. The American route is 930 miles. It is much shorter to come down this way than it is to go across (indicating), strange as it may seem, because you must dodge around among the hills so much. Now the route which we call route D is the same as the all red here, and then blue to here, and then joins the main line of the red route again. The cost is \$77,740,000.

The route which we call route E leaves British Columbia here (indicating) and follows the blue line back to Osoyoos. The cost there is \$75,980,000. That is cheaper, although the route itself looks a great deal longer.

Q. Have you got the mileage for the other three routes?—A. Route A is 1,011 miles; route B, which is the orange part is 930 miles; route C which is red to Trail and blue to Osoyoos is 1,013 miles; route D, which is along the blue and yellow to Trail is 1,015; route E which is the all blue route is 1,020 miles.

*By Mr. Pearkes:*

Q. Are those figures to Portland or to Vancouver?—A. They are over-all figures.

Q. To Portland?—A. Yes.

*By Mr. Green:*

Q. From Pincher Creek?—A. It is taking in the same places.

Q. From Pincher Creek? Do they start at Pincher Creek?—A. They start at Pincher Creek. To make an over-all comparison we had to take in the same towns because they are all to be reached by the system.

Mr. FERGUSON: May I remind you, sir, that you would not have had all this trouble if your boys some years ago had not started hollering "54°40' or fight".

Mr. MCGREGOR: When we get the different routes could we have a sketch that we could look at. You say for one part it is so much, and then you get another figure if you take another part and son on—I do not think that anyone is much wiser. I think that we should have a sketch representing the cost of each route and one which shows each route; then we would have something to follow.

Mr. SMITH: May I ask you if those distances you have mentioned have been measured or are they from scale?

The WITNESS: They are from scale, but we have gone over practically all of this excepting the open plains, either on foot or on horseback.

Mr. GREEN: How far is it over your route from Vancouver down to Portland? That is common to all.

The WITNESS: That is common—it is 279 miles.

Mr. PRUDHAM: Mr. Dixon, would you care to estimate the length of the Yellowhead route, if they were to use that, from Edmonton?

The WITNESS: I do not know; it was given in the testimony in Alberta, but I have not got a transcript of it here.



*By Mr. Green:*

Q. Have you got any costs on the Yellowhead route?—A. Nothing except what they gave—I have my own ideas but it has never been worked out.

Q. You never worked out an estimate of what the Yellowhead route would cost?

Mr. MURRAY: Would you care to do so?

The WITNESS: No, that would take two months.

The CHAIRMAN: Mr. Smith, you are next.

The WITNESS: You would also have to wait for the snow to leave the ground; you cannot make an estimate when the snow is governing everything.

*By Mr. Smith:*

Q. I would like to follow up the suggestion made by someone that we have a sketch plan. Mr. Dixon is saying "from here to there" but we have nothing to follow—I am not blaming you, Mr. Dixon, but I was thinking that when you are making the sketches which you will give us at some time convenient to you, where the routes turn you should put down the names of the towns or the mountains or places so that we, sitting here, can have an idea of what we are discussing. You see, a transcript is being made of this but it does not help one to see in the transcript the words "from here to there is so many miles," when you do not know where "from here to here is." When you are doing that I would think that all you would need to do would be to include the junctions or turning points and we could understand it very easily.—A. Yes, I think I could do that for tomorrow.

Mr. GREEN: Have you figured the distance of the Yellowhead route?

The WITNESS: No, I have not figured that. It was all given in the testimony, although they testified that they had not been within ten miles of parts of the route so I do not know what degree of accuracy they have.

Mr. SMITH: Well, if we are going into that, I might say that I have read the testimony, Mr. Dixon, and I do not think that we want the whole of the testimony given in Alberta put in here. I do not think that I would open the door if I were you.

Mr. CONNOLLY: Mr. Dixon, would you have something to say, not only about the cost of construction, and the cost of maintenance on the various routes but with particular reference to the rates to be charged to consumers.

The WITNESS: Of course the cost of the line must be borne by the people that buy the gas, unless the government can subsidize them—which I have never heard of being done—and the more expensive the route is, other things being equal, the more costly the gas is.

Mr. SMITH: And that can be figured accurately, can it?

The WITNESS: If we know the difference in cost it can be figured accurately as far as the interest on the investment is concerned but there is another item which may be very large which, in this case, is extremely difficult to figure, and that is the maintenance cost. If we are up in high mountains, difficult of access, with no public highways nearby, naturally the maintenance cost will be much higher.

*By Mr. Prudham:*

Q. Is it necessary to have a highway to service the pipe lines?—A. Naturally the line should be walked every day.

Q. But would you need a highway to service it?—A. It is nice to have a highway but you must have access to it. You do not need a good highway but we want a highway that you can take a caterpillar tractor over. It is better



to have a dirt highway that is not much good to drive an automobile on rather than to have a fine highway because the highway authorities will not allow you to carry equipment over a good highway.

Q. That is, for construction?—A. For maintenance, too. You have to get heavy equipment there for maintenance. You cannot manhandle twenty-four inch pipes. You have to have heavy equipment there to do anything. When you have a break, it is essential to get caterpillar equipment there immediately.

Q. And would proximity to a highway cheapen the cost of construction?—A. Yes, it cheapens the cost of construction a great deal. A very large item in the cost of the line that we are contemplating through the all Canadian route is the cost of access route.

Q. Would not the Yellowhead Pass be more accessible than some of the southern routes from the standpoint of highway construction?—A. I do not think so. As I have said, I have not driven over the route as there was no highway passable at the time I was there.

Mr. DECORE: How long ago was that?

The WITNESS: That was last summer. It was possible to get through with a car but it was very difficult, and excepting for this one big crowd that came through on a sort of a party trip to show it was a good road, I never heard anyone that had driven over it, but it is being built now.

Mr. GREEN: The Yellowhead Pass is a good many hundred feet lower than the Crow's Nest Pass?

The WITNESS: The actual difference in elevation is of very minor importance. You can go up and down with a pipe line without any difficulty. The great thing you must avoid in a pipe line location is not to have slide hill cuttings. That is the worst possible thing, for that is apt to cause movement of the earth and it is very hard to maintain.

Mr. MURRAY: What about snow slides?

The WITNESS: A snow slide itself would not do any damage except in regions when they have a thaw, the ground is apt to move. That is the great trouble with the Allison Pass route. That is what occurs there. The ground is in continuous movement. I do not know whether it will settle now or not. We can tell better this spring. The road has been there only a short time. As soon as the snow is all off the ground we can see whether the whole hillside is gradually moving down.

Mr. PRUDHAM: Does the pipe have to be covered with earth?

The WITNESS: Yes, you bury it entirely to at least eighteen inches above the top of the pipe.

*By Mr. Adamson:*

Q. Mr. Dixon, you have mentioned two mountain passes. Now, just to make it absolutely sure, is it the Kicking Horse Pass or the Crow's Nest Pass you are going through?—A. We are going through the southern pass, the Crow's Nest Pass.

Q. But you mentioned the Kicking Horse Pass.—A. That is the one I mentioned I was through originally. That is a delightful scenic route but it is not a very good pipe line route.

*By Mr. Connolly:*

Q. For the benefit of the committee, Mr. Dixon, would you make some comments on the cost of gas for consumers in Vancouver, let us say, depending on which route is followed here?—A. I think the total cost, assuming that eventually Vancouver takes considerably more gas than the people of the gas



company there now estimate, that the total burden on Vancouver will be in the order of a million dollars a year due to the difference in the routes. That is, for Vancouver and the surrounding territory. It is a very hard thing to figure exactly but it will be somewhere between \$700,000 and \$1,200,000 that they will have to pay extra year after year.

*By Mr. Ferguson:*

Q. Assuming the communities between Vancouver grow up, would that not reduce the cost? I do not understand that question? If the pipe followed an all-Canadian route and the communities along that route grow up, would that not reduce the Vancouver cost?—A. It would reduce it just exactly the same as the Vancouver rates.

Q. So there is a possible reduction in the future rate along the line, not simply to Vancouver?—A. The same thing could apply if it was going through Washington and that community grew. It would lower the cost for everybody when you have a line here.

Q. You have to make so much money out of the entire line?—A. Yes, and where we sell it we are regulated by two governments, two states, and two provinces, and we certainly will not have a chance to charge more for the gas than we should.

*By Mr. Green:*

Q. If you use the all-Canadian line then the American cities of Seattle, Tacoma, and Portland would have to pay more than Vancouver, would they not?—A. If you use the all American line?

Q. No, the all Canadian line?—A. Well, you can look at it this way: Less than a quarter of the gas will be sold in Canada, that is generally admitted.

Q. Over three-quarters of it is to be sold in Washington?—A. Sold outside of Canada. Now, we are regulated in the United States, and whether or not the Federal Power Commission would allow any gas to come into the United States if there was a big differential against the States, I do not know.

MR. GREEN: Well, you certainly would not make Vancouver pay as much as Seattle or Portland if they were at the end of the line?

THE WITNESS: Ordinarily it makes no difference. Spokane, Seattle, Portland and Vancouver all pay the same. It would be the ordinary method of calculating the cost of gas.

*By Mr. Ferguson:*

Q. Would that be regardless of the route?—A. Regardless of the route. That is a principle that has been almost universally applied in the United States. Those who are located nearer the source and a short distance away, say that they should get a lower rate but as you know the cost of gas depends on the amount of gas you carry because you can carry a very large volume of gas at a great lower unit than you can a small quantity. Therefore, taking this cost Portland would have as much to do with the total load and the total cost and the overall expenses as Spokane, say, which is the nearest point.

*By Mr. Prudham:*

Q. Would that apply to Alberta consumers as well?—A. Well, the Alberta consumers are in a different category.

Q. Alberta consumers using the Grid system?—A. We do not expect to supply any consumers direct. We expect to supply them at the city gate.

Q. All right—to the company that supplies it to the consumers then?—A. That will be regulated by the Alberta Public Utilities Commission.



Q. Does the whole system share the cost of the Grid system in Alberta? Does the entire pipe line system share the cost of the Grid system in Alberta?—

A. The entire cost of the Grid system will be borne by the enterprise, the entire cost. Then, as gas is supplied to other communities that will be up to the Albertans to determine what the cost will be. But they will be getting it at a much lower price than in any other way as it will be an incremental cost.

Q. Does it make any difference which end of the Grid system is tapped; does it make any difference whether it is from the north or the south end you take the gas for export? Does it make any practical difference at all?—A. An enormous difference, yes sir, because the main supply of gas—this is a matter of opinion—but to my mind the main supply of gas is in the southern part of Alberta.

Q. Do you not think that situation is changing fast?—A. No, sir, I think it is just the opposite.

*By Mr. Smith:*

Q. A lot of people disagree with you on that?—A. There are some but I think many people agree with me.

Q. Men like Drs. Knauss, Dodge, Link, to name only a few?—A. Well, as you say, it would take a month's discussion to go into that.

*By Mr. Ferguson:*

Q. Mr. Dixon, the Grid company is, I presume, an Alberta chartered company?—A. That is right.

Q. That company will be owned exclusively by the stockholders of the major company?—A. No, forty per cent of the stock of that company will be at least, and maybe much more will be owned by people in Alberta.

Q. The control would be entirely in your hands?—A. Well, in a way, I think I would say yes, the control will remain in our hands.

Q. Sixty per cent stock ownership will assure that?—A. I think that we, being the people who knew more about it, would be in control with forty per cent.

Q. The Grid system collects that gas?—A. Yes.

Q. Manufacturers and people living adjacent to the Grid system, will they be paying the same price for their gas as the people in Washington?—A. I do not understand the question.

Q. Will the plant and the users, consumers, living adjacent to the Grid system, be paying the same money as the consumer in Washington?—A. No.

Q. Now, just a little while ago, I must have misunderstood, I believe you said they must all pay a uniform price for the gas?—A. That is on the main big line.

Q. So therefore, Vancouver would pay identically with the state of Washington?—A. Yes.

Q. Would not the state of Washington have control as to what price you could charge the consumer?—A. No.

Q. They have no control over that whatever?—A. That is a question—I am not a lawyer—but I have heard a great deal of conversation on it. It is the Federal Power Commission that has control there.

Q. But as a rule, if you desire to enter a community and establish a gas supply company, I think you would have to assure them before you would get a franchise as to what price they would have to pay.—A. We would not sell any gas at retail.

Q. I beg your pardon?—A. We do not expect to sell any gas at retail.

Q. You will sell to the people who have that franchise already?—A. Yes, the only exception to that will be in the gas supplied to the Consolidated Smelting Company at Trail and to the atomic commission.



Q. Why are they getting a special price?—A. They have a very large market.

Q. Of their own?—A. Right there, of their own.

Q. A larger market than the city of Vancouver?—A. The two combined have.

Q. Trail and the atomic commission?—A. Yes, they have a much larger market than the city of Vancouver.

Q. If you are permitted to operate within these communities you will have to make a contract at a certain flat rate?—A. We cannot make a contract until we get our charter.

Q. You would?—A. We will try to.

Q. But that has been under discussion?—A. Yes, for a long time. They have given us estimates of the amount of gas they will take.

Q. Has the city of Vancouver negotiated with your company in any way, shape, or form regarding price?—A. Not at all, nobody has.

Q. Distributors there at the present time, have they made any agreement to your knowledge with the city of Vancouver as to the price they will pay to purchase from the distributing company?—A. No.

Q. So they have not any idea of what benefit they are going to derive from this project?—A. Yes, they have very definite ideas.

Q. They have had no discussions on it so they must be surmizing?—A. They are surmizing to this extent that they do not know what the cost of the construction is going to be.

Q. Do they have any idea whether it is going to be twenty per cent, forty per cent, or sixty per cent less than their present cost?—A. We have discussed it with them and our sale will be on what is known as a demand and commodity rate, and all we can earn in this project is the amount fixed by the government. We can earn so much on what we have spent and no more. So the cost of the enterprise, provided we can sell our gas is something that is immaterial to us.

Q. The cost of the gas is immaterial because you only charge so much?—A. Because we can only earn so much. We have to charge enough to earn that and we cannot charge any more.

Q. Do you mind stating the maximum rate you can earn on your costs?—A. It is six per cent in the United States and I think seven per cent in Canada, I am not certain.

Q. Good old Canada, seven per cent for Canada.—A. That, I think, is the rate now.

Q. Is that the law of this land?—A. I beg your pardon?

Q. Is that the law of Canada?—A. I do know what it is in Alberta.

Q. Well, before we pass the charter we ought to pass that on to the committee.

Mr. MOTT: The gentleman here is from Ontario (Simcoe North). I come from British Columbia and I am under the public utilities there and that rate of return has nothing at all to do with the whole country. I understand the public utilities selling wholesale in British Columbia are allowed five per cent. I thought that Mr. Green would probably know more about that than I. I think the public utilities profit in British Columbia is five per cent. That is what the British Columbia Electric, who handles this gas, is allowed to make selling to the consumer at retail, they being a wholesaler.

*By Mr. Ferguson:*

Q. This pipe line is going through Alberta and British Columbia. I am asking this for the people of British Columbia. I am as interested in them as you are, probably. They are permitted to earn—these people are going to be



permitted to earn for the exclusive franchise of running this line from the field where the gas is got—they are going to be permitted to earn over and above their total expenditure, and I understand that there is a law to that effect, but is that a state law which says you cannot earn over six per cent, or is it a federal law, Mr. Dixon?—A. It is not law, it is the Federal Power Commission that says that. They fix what they call reasonable earnings. It used to be six and a half per cent.

Q. And our commission here is easier, for you are going to be permitted to earn seven per cent in Alberta?—A. But that is not the law.

Q. I want to see why it is six per cent in the United States—Is it state, provincial or dominion law—and I want to know why it is seven per cent in Canada. It is time we learned in this committee that they are getting seven per cent instead of six per cent from Canadians on the same project.

Mr. PRUDHAM: That is in Alberta.

*By Mr. Ferguson:*

Q. Are you only going to be permitted to earn seven per cent of your money in Alberta and not in British Columbia?—A. I do not know the rules in British Columbia.

Q. I am not sure, because in the United States it is a federal law, a federal commission, so if we have not got such a thing in Canada it is almost time we introduced it to our committee.

The CHAIRMAN: That is out of our jurisdiction.

Mr. SMITH: Mr. Chairman, I think I can clear this whole matter, about the Alberta situation, up in a minute. I have been in all the gas inquiries for the cities of Calgary and Edmonton ever since they had gas. The situation is this: they set up a capital structure and then they are allowed to earn a given percentage on that. That percentage was not the same, for example, in Calgary as it was in Edmonton because of the risk factors, depreciation factors and all of these things which enter into it. As you know, when you lay a pipe line through alkali country, electrolysis sets up and the pipe disappears a lot faster than if laid over rock. It fixes a percentage having regard to all the various factors in any project. That principle, I assume, will still carry through and I still agree with the gentleman here that in British Columbia they have such a public utilities law, they have such a statute in British Columbia.

Mr. APPLEWHAITE: I think those regulations apply to all companies concerned and therefore do not refer to the operations of one particular applicant.

Mr. MURRAY: What would be the volume to Trail and to the atomic energy plant, per year, do you know?

The WITNESS: To Trail, the president has told us, through his engineers, that it will be a minimum of three billion a year and possibly 5·3 billion a year depending on their success on some processes they are working on now.

Mr. SMITH: What amount of coal will that supplant?

The WITNESS: Very little, I am told. The coal that they use there is mostly used where they require a hard fuel. It is fuel oil it will supplant.

Mr. MURRAY: What about the atomic energy plant? What will their consumption be?

The WITNESS: I am not free to give the exact amount. Maybe I have talked too much but it is a great deal more than that.



*By Mr. Connolly:*

Q. Mr. Dixon, would you say something about the available supply of gas for this line from Alberta? Could you tell us how much you think it might be?—A. In my opinion there will be abundance of gas from Alberta in increasing amounts in the next thirty years and far more gas than there is now in fifty years. There has been very little development in Alberta on gas because there is no market. All the drilling practically has been done in search of oil. It is remarkable that such large volumes of gas have been discovered where there is such a very limited local market for it. I think we will be able to prove when we go before the board in Alberta that there is an abundant supply of gas indicated there for an extremely long period of time, both for export and for local use.

*By Mr. Smith:*

Q. How many trillion feet do you figure proven reserves now, or perhaps you would rather not tell me now?—A. I figure in what you would call really proven, on which people have differences of opinion, that there is somewhere in the order of six or seven trillion, but the indicated reserves from a bunch of scattered wells is greatly in excess of that.

Q. The last I heard was six and three-quarter trillion. Did you hear that Dr. Hume of the Dominion government was making a new survey and will have a report on it ready in about a month?—A. I have heard he was going to.

*Br. Mr. Adamson:*

Q. Before this committee adjourns, I want to make one suggestion to you, sir, and to the committee, which I think will be helpful and that is this: we have had a rather definite discussion on the possible markets. Now, you have spent a quarter of a million dollars and you have unquestionably made quite an extensive survey of your market and I think tomorrow it will assist the committee if you come and give some specific idea on your present markets or potential markets so that the committee will be informed on that question.—A. I can give it to you right now if you wish.

Q. It is three minutes to six and I think we will be adjourning in a minute or two.

Mr. MOTT: I would like to make a motion at this time to the effect that we adjourn until 11:00 o'clock tomorrow morning.

Mr. GOODE: Before that motion is put I want to clear up one point. Do you think, Mr. Dixon, the penalty in the lower mainland market area would be a million dollars per year differential between the all Canadian route and the all American route?

The WITNESS: Somewhere around there, yes.

*By Mr. Murray:*

Q. What would the saving be at Vancouver below the present prices of gas to the consumer there?—A. That is very difficult to answer categorically. They take a very small amount of gas now, on account of it being artificial gas, but the price of the gas to the ultimate consumer will be something like a third.

Q. A saving of a third?—A. Maybe a great deal more and if you figure that over a large size market, it will be an enormous saving.

The CHAIRMAN: The meeting will be adjourned until 11:00 o'clock tomorrow morning.